

Draft Report

IDENTIFICATION AND ANALYSIS OF ACQUISITION
CANDIDATES FOR BUSINESS PROCESS MANAGEMENT

Prepared for

D&B Services

January 20, 1995

Submitted by

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IDENTIFICATION AND ANALYSIS OF ACQUISITION CANDIDATES FOR BUSINESS PROCESS MANAGEMENT

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IDENTIFICATION AND ANALYSIS OF ACQUISITION CANDIDATES FOR BUSINESS PROCESS MANAGEMENT

I. INTRODUCTION

A. Background and Purpose of Study

D&B Services is planning to offer a series of business process management services. D&B Services expects to make one or more acquisitions to provide a core capability to provide these services.

INPUT was engaged to assist D&B Services in the following ways:

- Identify and qualify acquisition targets.
- Prepare analysis to provide the rationale for these targets.
- Identify keys for approaching the targets.
- Identify "launch" customers, where possible.

B. Methodology and Conduct of the Work

1. Project History

INPUT and D&B had a kick-off meeting where the objectives and details of the venture were reviewed. The target areas selected for analysis were the sales support and HR support areas.

This was followed by a progress review on November 29, 1994 and a worksession on December 9, 1994. At the December 9 worksession, the project was modified in the following ways:

- INPUT had prepared process maps to assist in defining the business processes contained in each area to better help define the business space the D&B was planning to occupy.
- Work on the HR area was stopped, due to a consensus on the complexity of the services to be offered and the existence of a number of large, established firms offering many services already. (See Appendix 1 for "maps" prepared by INPUT showing potential business process support areas.)
- The financial operations area was substituted for the HR area; within the financial operations area, the purchasing support function was identified as the initial target.

Additional worksessions were held on December 29, 1994 and January 6, 1995. At the latter session, detailed candidate profiles were presented for the sales support constituents and preliminary candidates for purchasing support.

This report summarizes work done to date. A final report will be submitted on January 30, 1995.

2. Methodology

The report contains the following major information components:

- Detailed factual profiles of candidates
- Candidate evaluations
- Market sizing (where feasible and appropriate)
- Industry trends

INPUT used the following sources of information for this report:

- INPUT files and databases
- Staff knowledge
- Non-proprietary INPUT studies
- Business and trade directories and publications
- Discussions and interviews with other consultants, vendors with appropriate knowledge (e.g., software companies), trade associations, publications and competitors of companies being evaluated.

In selecting candidates, INPUT reviewed companies in its databases for exclusions; many were excluded at the initial stage due to size or business components. The following are the approximate numbers of companies reviewed in the initial stage.

<u>Type of Company</u>	<u>Number</u>
Marketing Database	200
Lead Generation/ Customer Service	175
Purchasing Software	200
Purchasing Consultants	75

Details of companies reviewed at the initial stage are in the Appendices.

A senior executive for all candidate companies was interviewed for this project in order to support the evaluation. The purpose of the interview was not given and D&B was not referred to in any way.

In most cases, INPUT has recommended that another set of discussions take place with candidates in order to better assess the fit between the candidate and the D&B venture.

- The most critical part of the discussion will involve how well the candidate will function as part of the targeted business process management business.
- At the least, this will require the D&B Services concept being described.
- Optimally, this discussion should take place between a principal of D&B Services and the CEO and/or a principal owner of the candidate.

II. EXECUTIVE SUMMARY

INPUT was engaged to assist D&B Services in identifying and assessing one or more acquisitions to provide a core capability to provide process management services.

A. Process Structure and D&B Targets

The two target areas selected are sales support and financial operations support. On the pages that follow are "process maps" that INPUT prepared which show the processes involved in each area and the processes which D&B will focus on.

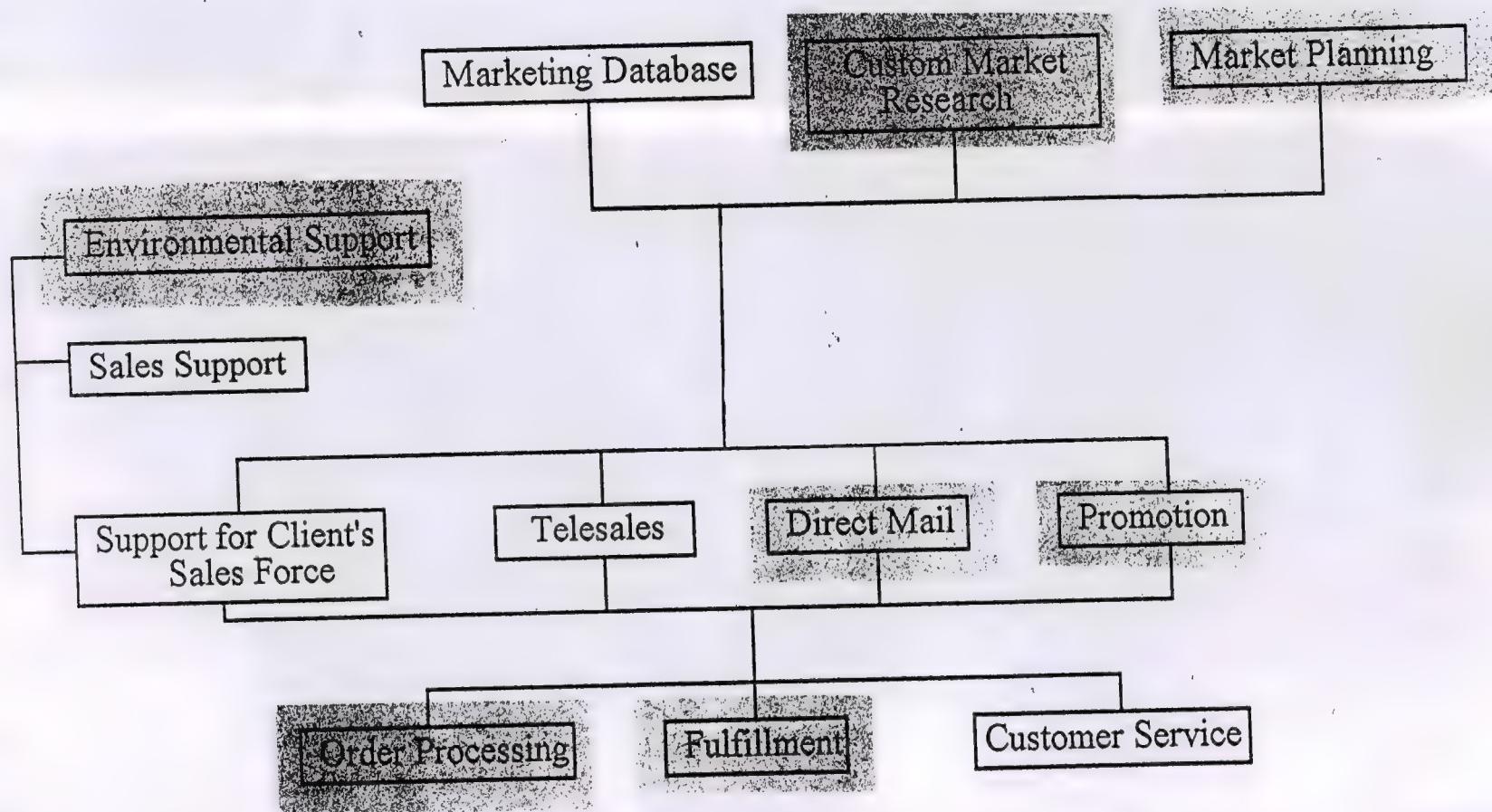
- In sales support, the unshaded areas are the areas of focus of D&B Services.
- The purchasing function will be the initial focus in financial operations.

There are very few companies that successfully offer the range of sales support services shown in the process maps. Consequently, INPUT and D&B Services agreed that the core unit should be built up by combining a marketing database services company with a company that provides lead generation and customer service functions

Current purchasing support is offered by large, diversified service organizations, such as Big 6 firms or EDS. Potential customers of these services are often unwilling to take the risk of placing a critical business function such as purchasing in the hands of a smaller organization.

Consequently, the search focused on firms that had knowledge and capability in purchasing business process management, but were not necessarily active in the area now. The candidates are for the most part smaller specialist purchasing consultants.

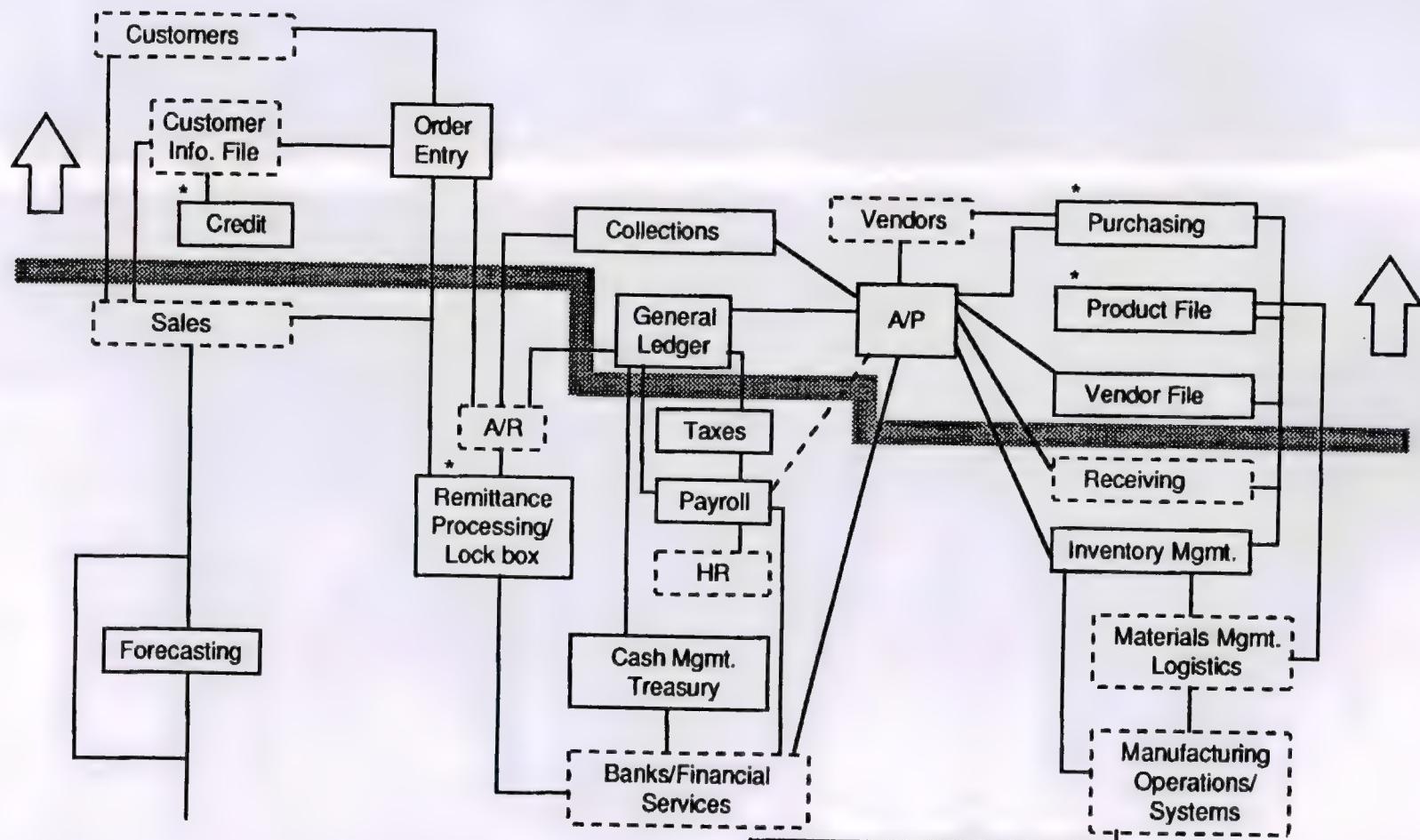
SALES SUPPORT FUNCTIONS: D&B FOCUS



INPUT

Financial Operations: D & B Target Areas

(target areas above line)



- Fin'l Ops
- Other Functions
- * Electronic Commerce Function

B. Acquisition Candidates

There are three groups of acquisition candidates that INPUT has identified:

- Marketing Database Companies (3)
- Lead Generation/Customer Service Firms (from upper tier of telemarketing firms) (3)
- Purchasing Consultants and Software Firms (6)

The summary and assessment for each group are on the following pages. These assessments were based on a study of the companies capabilities as well as an interview with an executive of each company. (Neither the reason for the interview nor D&B's involvement was mentioned during these interviews.)

None of the candidates in any group stands out as the candidate. Each of the candidates has a combination of positives and negatives. INPUT concludes

- There is no obvious leader at this point.
- None should be rejected out of hand.
- Further investigation is required.

A key element in the next stage of investigation is to assess the candidates' understanding, acceptance and capability to fit into the D&B process management business concept. Obviously, this will mean briefing candidates on the content of the business and their potential place in it. Optimally, this discussion should take place between D&B and the candidate, although INPUT would be willing to act as an intermediary as a second phase of this study.

CANDIDATE SUMMARY AND ASSESSMENTS: Marketing Database Companies

<u>Criteria</u>	<u>Direct Marketing Technology</u>	<u>Innovative Systems</u>	<u>Creative Automation</u>
Size	\$47MM	\$30MM	\$17MM
Growth	26% (91-94)	13% (93-94)	Unknown
Markets	Catalogs, Retail	Finl Svcs	Dir.Mktng, Finl Svcs, Magazines
Customer Relationships	Long Term Relationships	Long Term Relationships	Long Term Contracts
Value-Added			
• Current	Fair (Emerging from list business)	Good - Cust. Info File	Good - Special niche; consulting
• Potential (New Areas)	Good - ambitious	Fair - unclear outside niche	Fair - unclear outside niche
Technology			
• Current	Fair/Good	Good in niche	Good - list niche + ops
• Potential (New Areas)	Good	Fair/Unclear	Fair/Unclear
BPM			
• Current	Low	Low	Medium (horizontal)
• Potential (On own)	Medium	Low/Medium	Medium
Fit with D&B	Good - firm open to change	Fair/Good - further investigation needed	Fair/Good - firm needs broadening
Overall Assessment	Good • Improving technically • Market focus needs broadening	Good • Technically deep, narrow • Broad market coverage	Good • Technically broad; deep?? • Broad market coverage

CANDIDATE SUMMARY AND ASSESSMENTS:
Customer Service/Lead Generation Companies

<u>Criteria</u>	<u>Inter Media</u>	<u>Zacson</u>	<u>Commun. Service Centers</u>
Size	\$20MM	\$40MM est.	\$9MM
Markets	Finl Svcs, Catalogs	Finl Svcs, Telecomm	Catalogs, Drug Cos
Customer Relation- ships	Long Term Relationships; Projects	Long Term Relation- ships	Long Term Contracts & Rel.
Value- Added			
• Current	Good - Full Service	Good - Full Service	Fair - TM Focus
• Potential (New Areas)	Unclear	Unclear	Low
Technology			
• Current	Fair	Good	Fair/Good
• Potential (New Areas)	Fair - Making Improvements	Unknown	Unknown
BPM			
• Current	Fair/Good	Fair/Good (Consulting)	None
• Potential (on Own)	Good	Good (Attitude)	Probably None
Fit with D&B	Good - Full service approach (also minus?)	Good (Attitude)	OK - If database co. fills holes
Overall Assessment	Good • Broad market knowledge • Technically Competent	Good • Broad mkt knowledge • May be technically advanced	Fair/Good • Very good TM company

CANDIDATE SUMMARY AND ASSESSMENTS: Purchasing Support

<u>Firm</u>	<u>Size</u>	<u>BPR</u>	<u>Technology</u>	<u>BPM</u>
Advanced Procurement	\$1-2MM	XX	XX	XX
Eisen	\$1MM	XX	X	X
Financial Purchasing Management	<\$1MM	X	XX	X
Greentree Software	\$1-2MM	XX	XX	*
Purchasing and Inventory Consultants	\$1-2MM	XX		XX
Strategic Resource	\$12MM	XX	X	XX

Key XX = Current Capability
 X = Potential Capability or Background
 * = Limited by Size Currently

III. SALES SUPPORT: OVERVIEW

A. Sales Support Process Map

INPUT prepared the "process map" and functional detail on the following three pages showing the major service functions that make up sales support.

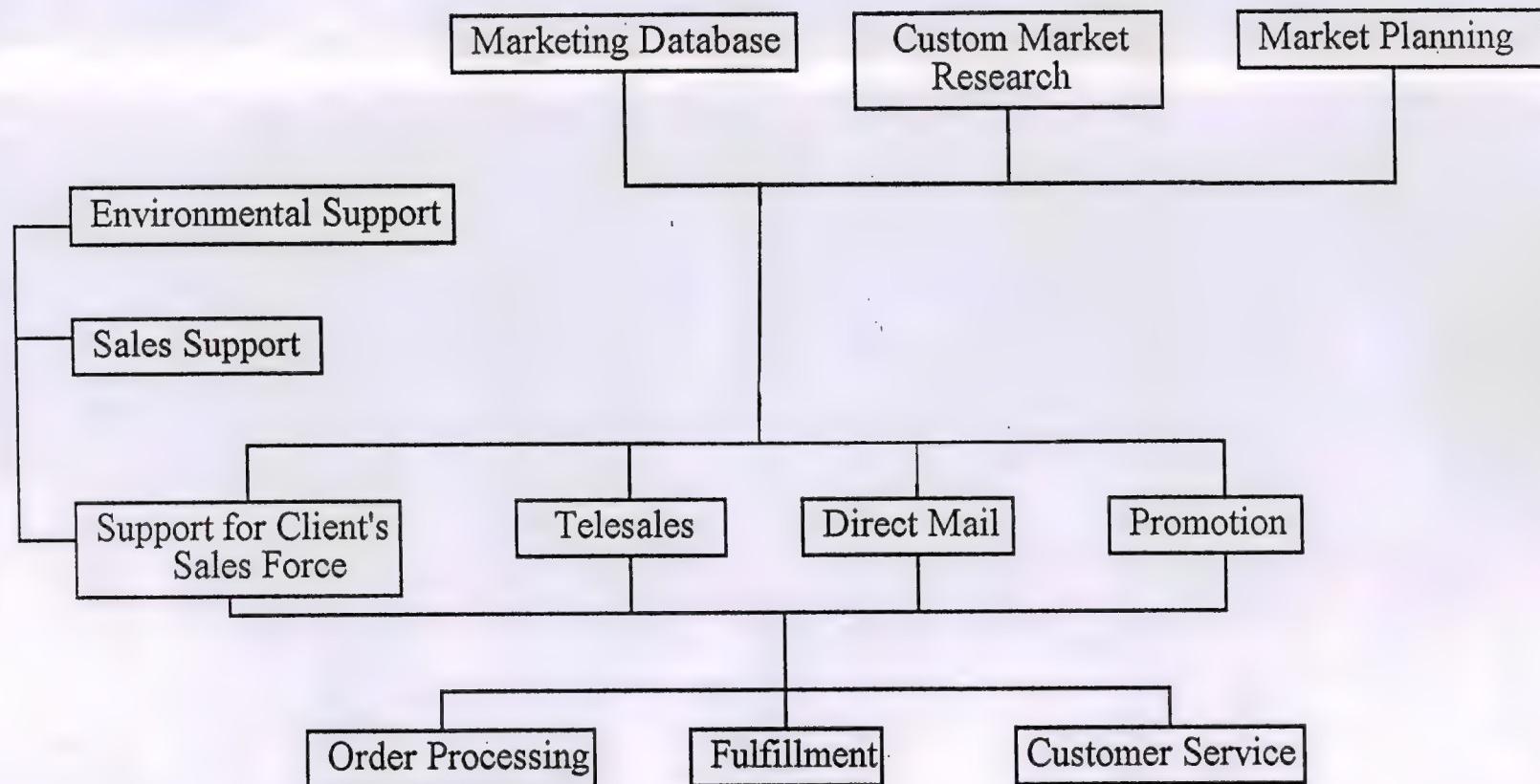
INPUT is unaware of any source that currently sizes D&B's target market space for these functions. INPUT has developed market size estimates for two of the major market areas being investigated. This information is provided in chapters IV and V.

D&B Services will not provide all of these services itself, but will look to partners or other firms to do so:

There was discussion between INPUT and D&B concerning the need to offer direct mail services as an organic part of the offering. D&B ultimately decided not to include this function as one that would be offered by D&B Services itself.

- Direct mail and printing fluctuate according to the business cycle.
- For the most part, this is a highly competitive business with relatively small amounts of differentiation that can be hard to maintain.
- Technology changes (e.g., on-demand printing) may soon change both the economics and the market positions of the firms in the industry.
- Relatively few firms have attempted to integrate direct mail with associated functions. The single apparent success (Dimark) is balanced by the indifferent performance of LCS and the withdrawal from this market of ACXIOM. (Although ACXIOM's withdrawal does not necessarily invalidate the concept.)

SALES SUPPORT FUNCTIONS: GENERAL OVERVIEW



INPUT

SALES SUPPORT FUNCTIONS

Marketing Planning

Marketing Data

- Customer Demographics
- Purchasing Pattern Database

Custom Databases

- Installation
- Operations

Custom Market Research

Support for Client's Sales Force

- Environmental Support
 - Facilities
 - Human Resources
 - Sales Management Systems (Install)
- Sales Support
 - Collateral Materials (a)
 - Call Targets/ Lead Generation
 - Sales Management Systems (Operate)

Telesales (also generates leads for Sales Support)

SALES SUPPORT FUNCTIONS (cont'd)

Direct Mail

- Creative/Design
- Production

Promotions

Order Processing

- Credit/Credit Card Processing
- Statement Generation
- Item Processing

Fulfillment

- Shipping
- Inventory/Logistics Management

Customer Service

- System Installation
- System Operation

The unshaded portions of the process map on the following page, show the functions that D&B Services plans to focus on

B. Sales Support Candidates

In worksessions with D&B two ways were identified for developing a core capability for this service offering by D&B Services:

- Acquire a single company that provides a two or more of these functions already on an integrated basis. Ideally, the company would provide them all.
- Assemble a unit from two or more companies that are strong in individual areas.

It became clear to INPUT in the course of the analysis and search that there is some movement toward providing these types of integrated services. However, very few "pure plays" seem to exist. Section C of this chapter examines examples of single company acquisitions.

There are three sources for companies that can be brought together to serve as the core of this unit:

- Marketing database information providers.
- Firms that provide lead generation and customer service support.
- Vendors of software products for performing marketing analysis and sales support)

D&B had earlier searched the software product category (before INPUT's involvement) and had come to the conclusion that these, essentially product, companies would not be satisfactory vehicles for this venture. INPUT concurs in this conclusion.

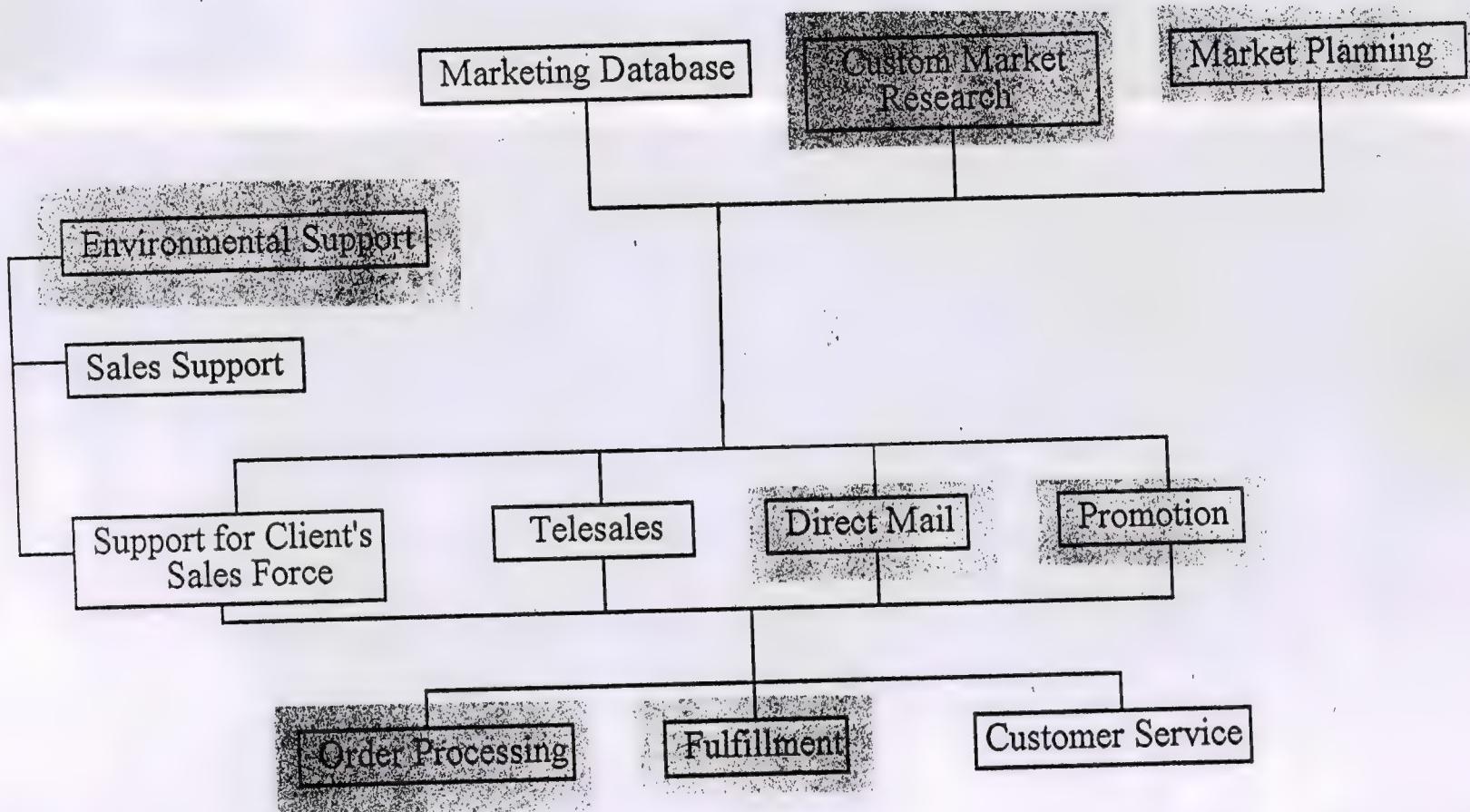
INPUT believes that there are potential candidates in the other two categories which together could supply these core capabilities. That is, marketing database companies and firms providing lead generation/customer service support.

The "assembly" approach has several advantages:

- There are a number of candidates available.
- It may be more feasible to establish a "best of breed" firm.
- The overall price paid should probably be more reasonable.
 - There are varying sizes of companies.
 - Multiples will be lower when acquiring the capabilities in pieces.

The next two chapters are devoted to these two types of companies.

SALES SUPPORT FUNCTIONS: D&B FOCUS



INPUT

C. Integrated Sales Support

The firm that is probably closest to the "ideal" is Epsilon (a subsidiary of American Express); even though Epsilon's business model is probably closer to being an integrated service bureau as opposed to a business process manager. Epsilon's size appears to militate against its being an active candidate for D&B Services. [A profile of Epsilon and other firms mentioned follow the text at the end of this section.]

The following firms are examples of integrated marketing support. However, in INPUT's opinion they each have flaws that would make them inappropriate for a core acquisition.

- Pharmaceutical Marketing Services
 - This is a good template for sales support services.
 - PMS' success indicates that sales support may be as much a set of vertical capabilities as horizontal ones.
 - PMS itself may not in any event be a good candidate, given the changes now going on in the health care sector and, especially, the changing relationships between pharmaceutical companies and their customers.
- North American Integrated Marketing
 - The choice of name certainly shows an affinity toward the D&B concept.
 - Note its vertical (banking) orientation.
 - However, the core of the firm's capabilities are in advertising and direct mail.
- Wiland Services
 - This is essentially an enhanced list company that also provides attractive consumer products to assist in their customers' direct marketing.
 - However, as noted, neither the company's financials or technical capabilities are otherwise compelling.

It is always difficult to prove a negative, i.e., that there is no good, available, reasonably-price single candidate.

INPUT's research and analysis on this assignment convince INPUT that there is a scarcity of viable candidates.

- The exclusion of direct mail operations from the search, limits the amount of integration possible.
- The companies cited in this section illustrate the lack of attractive candidates.

COMPANY INFORMATION

Name EPSILON

Address 50 Cambridge St.
Burlington, MA 01803-4692

Telephone 617-273-0250 (Voice)
617-270-6760 (Fax)

Officers Robert Drummond, Pres.,CEO

BUSINESS CHARACTERISTICS

Revenue 1994
\$150M (approx.)

Growth Unknown

Description of Businesses • Database marketing consulting services, market research/analysis and telemarketing .

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	• 100% of revenue	• Develop long-term partner relationship		

VERTICAL MARKET SPECIALIZATION

- | Markets | Offerings |
|--|---|
| <ul style="list-style-type: none"> • Financial services, pharmaceuticals, distribution, travel, consumer goods, business to business and not-for-profit fundraising and membership services | <ul style="list-style-type: none"> • Consulting, design and development of marketing data base, analytic research/strategic consulting and direct marketing services |

BUSINESS CAPABILITIES: Value - added Characteristics

Area	Relative Importance	Change Expected
Customer Service	Medium to high	None
Lead Generation	Medium	None
Direct Response (Inbound)	High - ongoing service Medium - single campaign service	None
Outbound	Not part of their services	None
Other	High - technology consulting	None

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none">• Core of business, use automatic call distribution, data base management to build marketing systems for clients	<ul style="list-style-type: none">• Moving to use of client/server, massive parallel processing systems and SMP.	<ul style="list-style-type: none">• Epsilon believes they are unique in their suite of data base management services and new print technology services.

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none">• Full range of consulting services for data base marketing and marketing technology services.
Integrated Marketing Campaigns	<ul style="list-style-type: none">• Core of their business - strategy development, targeted prospect data base development, campaign implementation and effectiveness research and analysis.
Other Areas	

BUSINESS PROCESS MANAGEMENT

- | | |
|-------------------------|--|
| Current | <ul style="list-style-type: none">• Appear to be successful at integrating marketing service support |
| Potential | <ul style="list-style-type: none">• Good |
| FIT WITH D&B | <ul style="list-style-type: none">• Closest to concept |
| OWNERSHIP | <ul style="list-style-type: none">• American Express subsidiary |

OVERALL ASSESSMENT

- Class act; took some time to come together.
- Probably a leader.
- Excellent conceptual fit.
- Financials unknown.

COMPANY INFORMATION

Name PHARMACEUTICAL MARKETING SERVICES, INC.

Address 2394 East Camelback Road
Phoenix, AZ 85016

Telephone 602-381-9500 (Voice)

BUSINESS CHARACTERISTICS

Revenue	1994	1993
	\$94.9M	\$87.5M

Business from Data Management (%) PMSI provides a broad range of specialized marketing products and services to pharmaceutical companies in the U.S., Europe, and Japan. Products and services are generated from or enhanced by proprietary databases that contain unique combinations of pharmaceutical market, managed care, and medical subscribers data. These products and services enable pharmaceutical companies to market their products more effectively by: 1) generating data for a set of sales calls; 2) tracking the samples and information left with physicians through input from sales reps; 3) interviewing doctors to find out if they are prescribing the drug that sales reps were emphasizing.

Description of Other Businesses LAUNCHTrac, a similar product to SCRIPTrac, provides an early indication to companies on the penetration levels achieved on launches.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	All relationships are long-term; some 76 pharmaceuticals in six countries.			
Vertical Specialization	Markets		Offerings	
	100% pharmaceuticals		Prescriber databases	

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	10%	
Merge/Purge		
Enhanced List Creation		
Custom Database Creation	80%	LAUNCHTrac and SCRIPTrac are databases of prescriber behavior created by PMSI
Outsourcing	10%	Call reporting is outsourced

OTHER FACTORS

Technology Advantages	PMSI has no special technologies, but is able to handle the extensive volume: 400,000 physician prescribing patterns, 200,000-500,000 daily reports of multiple samples dropped, etc..
Consulting/Advisory Services	
New Offerings Planned	
Business/Technical Partnerships	

OVERALL ASSESSMENT

PMSI seems to be doing everything right: a defined niche, early capture of the market, wide coverage through the databases, etc. Most pharmaceutical companies realize that these services from PMSI are better and more economical than they could do in-house. It seems possible that this capability could be spun out to other industries.

COMPANY INFORMATION

Name NORTH AMERICA INTEGRATED MARKETING, INC.

Address 146 Route 46
Wayne Interchange Plaza I
Wayne, NJ 07470-1821

Telephone 201-890-7330 (Voice)

BUSINESS CHARACTERISTICS

Revenue	1994	1993
	\$28.0M	\$24.5M (Est.)

Business from Data Management (%) Provides direct mail advertising, database and marketing services, including analysis of databases to develop effective marketing programs for clients

Description of Other Businesses Company uses data bases to plan call programs coordinated with advertising (sales aid).

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	Most revenue is generated from continuing clients	Norwest and Household Finance are key clients		

Vertical Specialization	Markets	Offerings
	74% of the company's business is with the banking industry.	

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	30%	
Merge/Purge		
Enhanced List Creation		
Custom Database Creation		
Outsourcing		

OTHER FACTORS

Technology Advantages

**Consulting/Advisory
Services** Company does consult with clients to maximize their advertising "hits," but does not appear to have any unique tools or skills in this area.

New Offerings Planned

**Business/Technical
Partnerships** Company has a relationship (nature and type unknown) with Opportunistic, Inc.

OVERALL ASSESSMENT

Company has no special direct marketing skills and should not be further considered.

COMPANY INFORMATION

Name WILAND SERVICES, INC.
Address 1351 South Sunset Street
 Longmont, CO 80501-6533
Telephone 303-772-9171 (Voice)

BUSINESS CHARACTERISTICS

Revenue	1994	1993
	\$34.7M	\$34M (Est.)

Business from Data Management (%) 55% Company provides direct marketing services such as database management, list enhancement, marketing research, list fulfillment, computer printing, and mailing lists

Description of Other Businesses 45% Provides personalized paper products and a diverse line of merchandise to individual consumers in response to sales calls.

Rationale of Other Businesses Businesses are essentially unrelated except that consumer products leverages the list business.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	Approximately 50% of revenue is from long-term contracts			Consumer product sales are all one-time

Vertical Specialization	Markets	Offerings
	No particular markets identified by the company	

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	30%	
Merge/Purge	20%	
Enhanced List Creation	5%	
Custom Database Creation		
Outsourcing		

OTHER FACTORS

Technology Advantages	Company appears to have no particularly attractive technical capabilities.
Consulting/Advisory Services	Company relies on the seniority and experience of its people to attract and hold customers.
New Offerings Planned	Company continues to try new products and approaches in its consumer products division, but this has no material consequence on the direct marketing business.
Business/Technical Partnerships	Company has an ongoing relationship (nature and type unknown) with Avanti Marketing Company.

OVERALL ASSESSMENT

There are no unique aspects of this company.

IV. MARKETING DATABASE COMPANIES

A. Sector Overview

INPUT does not track the marketing database market as a separate market in its market forecast database; the data is split between several areas in INPUT's market topology. INPUT reanalyzed its market data and also examined 200 companies in its database which are involved in the marketing database business. INPUT also assessed trends in the marketplace.

INPUT divides this market into two segments:

- The high-growth, high end that has high value-added (custom database and enhanced list creation).
- The low-growth, low end that is highly competitive and a semi-commodity (conventional list management and merge/purge).

In both markets, but especially at the low end, there is considerable competition from in-house operations. For this analysis, the data management functions of direct mail firms for their own use are included in in-house operations.

Based on its analysis, INPUT makes the following market size and growth estimates:

<u>Segment</u> Vendors	<u>Size</u> (\$ Mill.)	<u>Compound</u> <u>Growth Rate</u>
• Low End	\$500	5%
• High End	<u>\$200</u>	20%
• Total	\$700	9%
In-House	\$3,000	unknown

The market size figures have an estimated variance of plus/minus 10% and the growth rates plus/minus 2 percentage points.

INPUT does not believe that D&B's venture would be competing in the vendor markets above, except obliquely. D&B venture will, in INPUT's opinion, find its market in

- The in-house sector
- In creating demand/functional services that do not now exist.

B. Evaluation Criteria

D&B and INPUT jointly developed the following criteria to use to evaluate candidates.

- Continuity of Customer Relationships: Long term contracts are most desirable and project work least desirable.
- Value-added by services: This is examined in terms of services currently offered as well as the potential for adding value in new areas of business.
- Technology: Current technology as well as the potential for improved technology, especially in new areas. A company that has good technological capabilities now would be penalized if there is no evidence of continued progress. This is reasonable, because these are areas with a high degree of technical change; to a large extent, companies must run to stay in the same place.
- Business Process Management capabilities: Again, both current and potential capabilities are evaluated. Potential capabilities are looked at from the standpoint of the company as a standalone entity. One of the critical issues for future evaluation is the degree to which a connection with D&B Services will increase the firm's BPM capabilities.
- Fit with D&B
- Overall Assessment

C. Candidate Summary and Assessments

On the following page, INPUT has assessed the leading candidates against the major evaluation criteria. In Section C there is additional detail for each candidate.

At D&B's request, ACXIOM was included as a reference point, even though ACXIOM's price would not fit D&B Services criteria. Note INPUT's conclusion that in some ways ACXIOM would fit better with D&B as a corporate acquisition than as one for D&B Services, for these reasons:

- Acxiom's size would act as the "tail that wags the dog" in relation to D&B Services.
- The breadth of ACXIOM's current and future activities would be more suitable to D&B overall, than to D&B Services, in INPUT's opinion.
- The goodwill component could be better justified from a strategic corporate standpoint.
- ACXIOM could, in INPUT's opinion, provide key services and direct support to other D&B units and markets.

Each of the other three candidates has a combination of positives and negatives. INPUT concludes

- There is no obvious leader at this point.
- None should be rejected out of hand.

CANDIDATE SUMMARY AND ASSESSMENTS: Marketing Database Companies

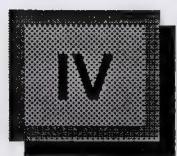
<u>Criteria</u>	<u>ACXIOM</u>	<u>Direct Marketing Technology</u>	<u>Innovative Systems</u>	<u>Creative Automation</u>
Size	\$152MM	\$47MM	\$30MM	\$17MM
Growth	16% (91-94)	26% (91-94)	13% (93-94)	Unknown
Markets	Varied	Catalogs, Retail	Finl Svcs	Dir.Mktng, Finl Svcs, Magazines
Customer Relationships	Long Term Contracts	Long Term Relationships	Long Term Relationships	Long Term Contracts
Value-Added				
• Current	Excellent	Fair (Emerging from list business)	Good - Cust. Info File	Good - Special niche; consulting
• Potential (New Areas)	Excellent	Good - ambitious	Fair - unclear outside niche	Fair - unclear outside niche
Technology				
• Current	Excellent	Fair/Good	Good in niche	Good - list niche + ops
• Potential (New Areas)	Excellent	Good	Fair/Unclear	Fair/Unclear
BPM				
• Current	Excellent	Low	Low	Medium (horizontal)
• Potential (On own)	Excellent	Medium	Low/Medium	Medium
Fit with D&B	Good (Excellent as sep. unit)	Good - firm open to change	Fair/Good - further investigation needed	Fair/Good - firm needs broadening
Overall Assessment	Excellent: Success and flexibility in entering new markets	Good <ul style="list-style-type: none"> • Improving technically • Market focus needs broadening 	Good <ul style="list-style-type: none"> • Technically deep, narrow • Broad market coverage 	Good <ul style="list-style-type: none"> • Technically broad; deep?? • Broad market coverage

- Further investigation is required. INPUT believes that this investigation can only be fruitful if the D&B concept is discussed frankly with the candidates, preferably by D&B Services itself.

D. Candidate Detail

On the following pages is detail on each company.

- Further analysis, based on data collected plus interviews with executives of each firm specially for this study.
- Descriptive material supplied by each firm. (Note: Because of its volume, the additional material on ACXIOM is in Appendix 3.)



D. Candidate Detail

COMPANY INFORMATION

Name ACXIOM

Address 301 Industrial Blvd.
Conway, AR 72032

Telephone 501-336-1000 (Voice)
501-366-3978 (Fax)

Officers

BUSINESS CHARACTERISTICS

	1994	1993	1992	1991
	\$152M	\$116M	\$91M	\$98M
Growth	16% (1991-1994)			

**Business from Data
Management**

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	• 40% - outsourcing	• 35%	• 10%	• 5%

Vertical Market Specialization	Markets	Offerings
Retail, Financial Services	• Direct Mail and catalog merchandise	• Horizontal outsourcing • Data management outsourcing • Enhanced list/consumer data base creation • Customized data base creation

DATA MANAGEMENT BUSINESS: Value-added Characteristics

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	10%	<ul style="list-style-type: none">• The origins of business; highly competitive
Merge/Purge	10%	<ul style="list-style-type: none">• Are a leading company, but difficult to maintain a lead.
Enhanced List Creation	20%	<ul style="list-style-type: none">• Probably drawing ahead of field slightly due to knowledge economics of scale.
Custom Database Creation	40%	<ul style="list-style-type: none">• Increasingly, an outsourcing service for ACXIOM; no real competition
Outsourcing (Horizontal)	20%	<ul style="list-style-type: none">• Competent, but advantage unclear

BUSINESS PROCESS MANAGEMENT

Current • The leader in its niche.

Potential • Expect to be pursuing other large contracts.

OTHER FACTORS

Technology Advantages	<ul style="list-style-type: none">• Large scale consumer data bases
Consulting/Advisory Services	<ul style="list-style-type: none">• Few provided as standalone services
New Offerings Planned	<ul style="list-style-type: none">• Deepening of current broad offerings
Business/Technical Partnerships	<ul style="list-style-type: none">• InfoBase (with ADVO)• RM Tools (with Fair, Isaacs)• Marketing agreement with Maritz

FIT WITH D&B

- Heavily involved with BPM and will be more important in the future.
- Very flexible and willing to try new markets and services.
- As part of D&B Services, size might distort strategy.

OWNERSHIP

Public company

OVERALL ASSESSMENT

- An excellent company, with good future.
- "Lumpiness" of business could make future growth hard to predict.
- Could be a means of upgrading accessibility and value of D&B's data overall.

ACXIOM

FINANCIAL HIGHLIGHTS

	<u>Revenues (\$MM)</u>	<u>ROS (Operations)</u>	
1990	90		
1991	98	8%	
1992	91	10	
1993	116	10	
1994	152	10	

CAGR 1990-94: 11%

Type of company: Public (NASDAQ)

Market Cap/1994 Revenue: 1.9

P/E: 35

140 - 155

BUSINESS HIGHLIGHTS

ACXIOM is a long-established player in maintaining and enhancing consumer marketing data bases. About three years ago, the company decided to use these skills to enter into specialized processing/outsourcing relationships with major consumer data-oriented companies. The company has been successful to date, with such relationships now making up almost 40% of its revenues -- it's two largest contracts (with Trans Union and Allstate) make up about 25% of current revenues.

Description of Recurring Revenue

About 90% of Acxiom's revenues are recurring.

- Almost 40% on long-term contract
- About 50% repeating business of preparing and enhancing marketing lists and data bases.

ACXIOM's business is strongly focused on the retail and financial services (especially insurance, credit and credit card) sectors.

ACXIOM's traditional business has focused on constructing and maintaining consumer data bases that can be customized fairly easily for a variety of customers.

ACXIOM

The long term contract business is aimed at supplying a proprietary solution to a particular client. Examples of major relationships include:

- Trans Union (one of the three major consumer credit reporting companies): ACXIOM manages the transactions, processing and reporting from Trans Union's 180 million person data base.
- Allstate: ACXIOM and Allstate have developed a new process for handling the issuance and renewal of auto insurance policies.

INPUT is not aware of formal non-compete clauses in its contracts.

Plans for business expansion

The company intends to continue its recent strategy of aiming for higher value, long term contracts that use its skills in constructing and operating large-scale consumer information data bases.

ACXIOM has developed a business relationship with Maritz, an incentive sales specialist, to offer jointly-developed services to improve consumer marketing. Telephone companies are an early target.

Geographic scope

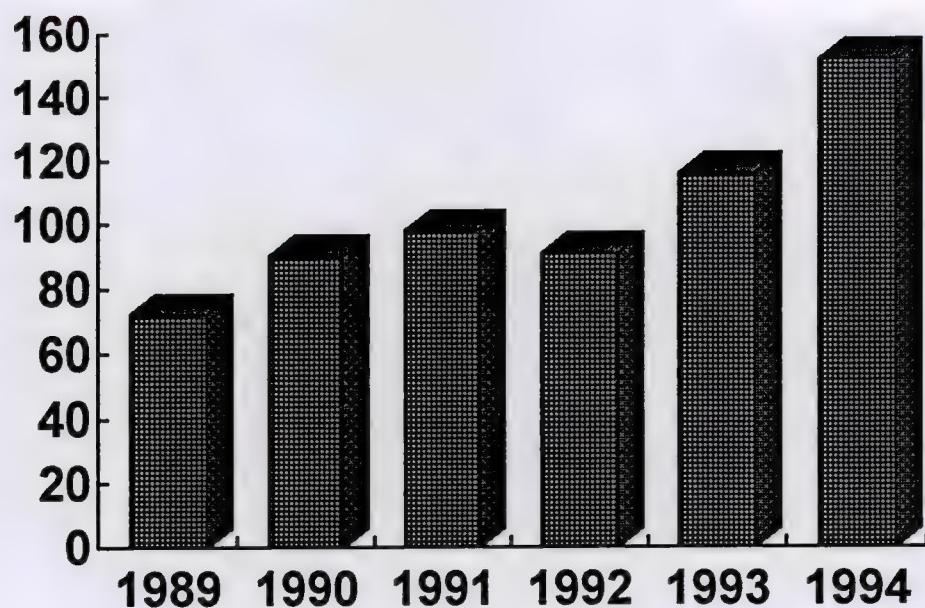
About 85% of the company's revenue are from North America and the remainder from the U.K.

Competitive position

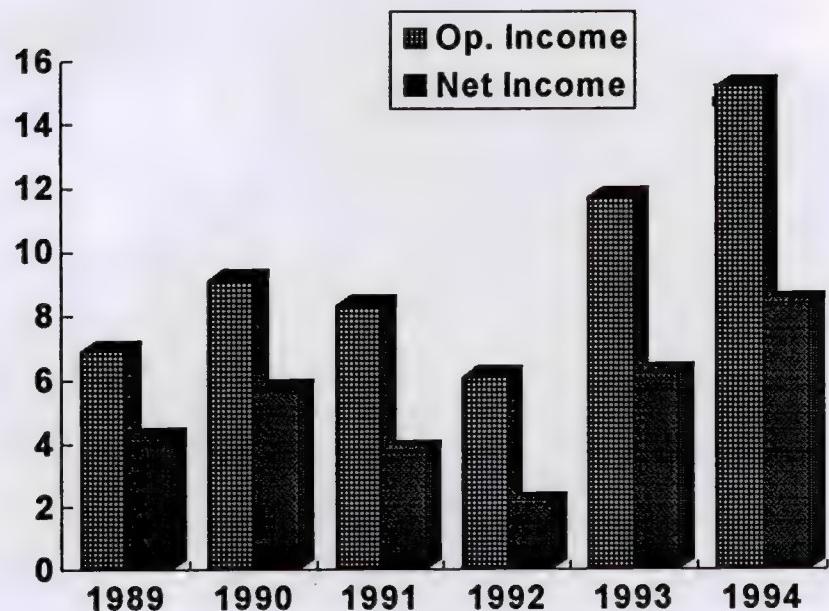
ACXIOM is a leading supplier of consumer lists and data bases. However, this is a business that is highly competitive and it is difficult to maintain a unique or proprietary offering for very long.

ACXIOM CORP.

Sales (\$MM)



ACXIOM CORP.



ACXIOM: 1988-1992

"Integrated Marketing Systems"
[ACXIOM's words]

- Acquisitions, 1986-87
 - Fulfillment software and services
 - Lettershop and mailing (in top 10)
- Divested 1994
 - Breakeven/loss
 - No real integration
- Reasons for failure
 - Separate business units for most of period
 - No concrete integration strategy
 - Sporadic, ad hoc co-operation
 - No changes to underlying "production" business model
 - Net: No value-added business proposition
- Conclusions
 - Integrated direct marketing never really tested
 - Will not happen by bringing under same roof
 - Technology changes make integrated model more attractive conceptually
 - Attaining model will require
 - Above-average management
 - Attention to details
 - Multi-year push

INPUT

ACXIOM: 1992 -

**Value-Added Data Management
[INPUT's words]**

Skills and Capabilities

- **Content Knowledge**
 - Consumer characteristics/profiling (historic)
 - Specific industries (recent)
- **Database software technology**
 - Pragmatic
 - Not productized
- **Efficient computer operations**

Long Term Contractual Relationships

- Allstate: Property/casualty rating outsourcing (sales process support)
- Trans Union: Large-scale data management outsourcing

ACXIOM: CRITICAL SUCCESS STRATEGIES

- Adding value to service offerings
- Locking-in customers
- Building (true) synergies between different parts of ACXIOM's business
- Aggressively entering and exiting business areas
- Partnering for entering new business areas

ADDING VALUE

- ACXIOM has progressed in last ten years from
 - List management, to
 - Customer database construction and operation, to
 - Business process support
- Older lines of business are not neglected , but strengthened by new lines of business
 - List management
 - Automated list descriptions and ordering
 - Improvements to merge/purge technology (with University of Arkansas)
 - Verticalization of lists (financial services, telephone companies)
 - Customer databases
 - Customized customer databases
 - InfoBase joint venture (with ADVO)

LOCKING-IN CUSTOMERS

- Historically, the list management business has been one of discrete projects or campaigns
 - Services are relatively undifferentiated.
 - Technical or service advantages are not held long.
 - Long term customer relationships are unstable.
- ACXIOM has greatly improved its position in the last four years through a series of interrelated initiatives.
- Defend the core list business
 - Technology improvements (cleaning, merge/purge)
 - Verticalization
 - Moving customers from "lists" to databases (others besides InfoBase)
- Customize lists and databases (combining third party and customer-specific data)
 - Producing a customized database often amounts to a de facto long term contract
- "Build and operate" long term contracts
- Verticalize
 - Insurance
 - Consumer financial services
 - Credit
 - Telecommunications
 - Health (developing)
 - Note: verticalization has been partly opportunistic, but this can be a strength.

TRUE SYNERGIES BETWEEN DIFFERENT PARTS OF BUSINESS

- Usually, multiple synergies
 - Technical (database and operations)
 - Marketing (selling similar services to new customers; more services to current customers)
 - Content (especially, in reusing similar types of data up the value chain)
- Examples of synergies
 - List management and customer databases
 - Public and customized databases
 - Database development and outsourcing operations

AGGRESSIVE ENTRY AND EXIT

- Large-scale, data-based
- Vertical markets
- Acquisitions of fulfillment and lettershop operations in 1980s. Divestiture in 1993-94.

PARTNERING

- In 1980s, ACXIOM made several acquisitions
 - In hindsight, these were at a minimum undermanaged.
 - ACXIOM management had little experience in these new areas (lettershop and fulfillment).
 - The new operations were geographically dispersed.
 - ACXIOM concluded (but not publicly) that its activities were too broad to be easily managed, and there were better opportunities in its historic areas of strength.
- ACXIOM is still aggressively entering new business areas, but
 - ACXIOM's role is focussed on data management.
 - Partners are used for content knowledge, other operational capabilities and/or access to specific markets.
- InfoBase (joint venture with ADVO)
 - Consumer database covering 95% of U.S. households
 - Combines address, demographics, buying profiles
 - Recent work on adding business target data (working with an unidentified third party)
- RM Tools (with Fair, Isaacs)
 - Database and predictive scoring algorithms
 - Aimed at insurance industry
- Marketing agreement with Maritz
 - Scope still being defined
- Electronic health claims processing and analysis (with unidentified Fortune 100 corporation)

COMPANY INFORMATION

Name DIRECT MARKETING TECHNOLOGY, INC.

Address 955 American Lane
Schaumburg, IL 60173

Telephone 708-517-5600 (Voice)
708-517-5609 (Fax)

BUSINESS CHARACTERISTICS

Revenue	1994	1993	1992	1991
	\$47M (est.)	\$35.2M	\$27.3M	\$23.4M

Growth 26 % (Compound growth 1991-94)

- Business from Data** • 100%
- Management (%)** • “Direct Tech” provides advanced computer processing and information services to direct marketers. Their focus is database marketing, telesales, and direct mail. They perform no order processing, fulfillment, or other customer service functions.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
		• Direct Tech focus on catalogers and has long-term relationships with many of the largest.		
Vertical Specialization	Markets		Offerings	
	• Direct mail catalogers	• Direct Tech specializes in merge/purge, NCOA, list maintenance and list rental fulfillment, Canadian computer mailing serves, response analysis, and predictive modeling.		

DATA MANAGEMENT BUSINESS: Value-added Characteristics

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	65%	<ul style="list-style-type: none">Their proprietary software, Circulation Optimizer, plans mailings for carrier-route discounts. The software also incorporates add-a-name, drop-a-name, shift-a-name, and co-mail strategies, among others, into one system. As a unified system, it can be combined with other analytic tools of Direct Tech, such as Zip code scoring models, and analytical predictors that add or drop names by profitability ratings.
Merge/Purge	25%	<ul style="list-style-type: none">For major catalogers Direct Tech performs universal merges; for Norm Thompson they merged five catalog files.
Enhanced List Creation	New product	<ul style="list-style-type: none">REACT (see discussion below) allows retailers to build and maintain a file of more than 100 consumer attributes.
Custom Database Creation	10%	<ul style="list-style-type: none">Direct Tech provides consumer marketing capabilities utilizing the IQ National Consumer Database.
Outsourcing		

BUSINESS PROCESS MANAGEMENT

Current Perform partial management of customer databases.

Potential Direct Tech's direction is to become more involved in their customers' business.

OTHER FACTORS

- | | |
|--|---|
| Technology Advantages | <ul style="list-style-type: none">• Direct Tech focuses on optimization techniques such as add-a-name to provide catalogers with reduced in-the-mail costs. |
| Consulting/Advisory Services | <ul style="list-style-type: none">• None offered |
| New Offerings Planned | <ul style="list-style-type: none">• Additional optimization techniques are under development. |
| Business/Technical Partnerships | <ul style="list-style-type: none">• Direct Tech has partnered with Retail Consumer Technology of East Windsor, CT to produce REACT, a computerized tracking system that allows retailers to target customers by taste, age, income, Zip code, and the like. |

FIT WITH D&B

- Firm seems open to change and new initiatives within their sector
- Good growth rate is indicative of market acceptance

OWNERSHIP

- 27 shareholders
- Thomas Newkirk (Chairman) & Jerry Foley each hold over 10% of stock

OVERALL ASSESSMENT

- A more focussed Acxiom.
- Growth shows they are “doing something right”.
- A very solid player in their niche.
- Their focus on optimization techniques with their large catalogers wins them much praise.
- REACT opens the door for Direct Tech to approach the market metrics opportunity; POS and other store-level data needs can be met by this product..
- Direct Tech is developing a business-to-business database management business.

DMT can evaluate multiple mailings over an entire mailing season. Remails and the effects of multiple divisional promotion contacts can be analyzed in a single processing environment. DMT's name-matching logic and attribute summarization capability facilitate superior analysis of prior mailings.

Information Services manages supplementary databases for list processing and customer database clients which improve a client's selection of names. When planning promotions, clients can add names into merge/purge processing on a net name basis. These supplementary databases include:

- ◆ DT-COA: An auxiliary database of over 31 million address changes.
- ◆ Zero-24 Month Common Database: Mail-order buyer database of over 29 million names which are scored and rented for mailing promotions among participants.
- ◆ IQ National Consumer Database: A compiled file of 118 million households containing demographic attributes.
- ◆ Credit Cards and Phone Numbers: A licensed file of 445 million credit card holders and 50 million phone numbers.
- ◆ DT Kids: A database of 13 million mail order buyer families with children ages 1 to 10.
- ◆ Zip and Census Attributes: 1990 census attributes at the ZIP and ZIP+4 levels, plus demographic, weather, and geographic attributes.

DMT Staff, Facilities, and Hardware

Staff and Facilities: DMT has a dedicated staff of 370 specialists. Our 107,000 square foot facility is located in Schaumburg, Illinois (8 miles from Chicago's O'Hare Airport). DMT has state-of-the-art surveillance and security, plus an uninterrupted power source (UPS).

Hardware: DMT's hardware configuration is:

- ◆ 2 Amdahl 5890-600E Central Processing Units — 148 MIPS total.
- ◆ Operating System MVS/ESA.
- ◆ Disk storage of 830 gigabytes.
- ◆ 48 Memorex 5480-E/5490 cartridge tape drives.
- ◆ Robotics — Memorex 5200 Automated Tape Library with 3500 gigabytes of near disk storage.
- ◆ 220 networked PC workstations.
- ◆ Front End Processing and Electronic Bulletin Board System.

Remember:

DMT provides list processing and customer database services to more than 300 direct marketing clients. The assets we bring to the partnership are:

- ◆ *The experience and tools to tackle almost any processing project.*
- ◆ *Advanced analysis and tracking techniques.*
- ◆ *Reduced mailing costs through better processing.*
- ◆ *Excellent and flexible customer service — on time.*
- ◆ *Increased profits through better mailing selection and segmentation.*



Services Overview



DIRECT MARKETING TECHNOLOGY, INC.

955 American Lane Schaumburg, IL 60173
(708)517-5600 (708)517-5609 Fax
©1994 Direct Marketing Technology, Inc.



DIRECT MARKETING TECHNOLOGY

Overview of DT Services

What's DMT all about?

Direct Marketing Technology, Inc. (DMT) provides data processing services that do the two things direct mail clients appreciate most:

- ◆ Save money by eliminating duplicated or misdirected mailings.
- ◆ Earn money by utilizing the best customer targeting techniques.

DMT was founded in 1981 and has increased its revenue every year. In 1993, DMT assisted more than 300 clients in preparing over 4.3 billion pieces of direct mail — that's more than 6% of all U.S. 3rd Class mail. The services we offer the direct marketing community include list processing, merge/purge, database development and maintenance, analytical research, and information services. We offer comprehensive services to specific markets such as catalog, retail, PC software, non-profit, publishing, and financial.

How do we do it?

The Best Internal Resources: DMT has developed several proprietary software processing tools to prepare customized solutions for its clients:

- ◆ DMT's name and address matching logic is unparalleled in the list processing industry. This logic identifies and evaluates duplicates, and is the foundation of flexible targeting strategies for list processing, customer database, and analysis.
- ◆ Direct Select is a software tool that DMT developed so clients can quickly analyze customer data, either on our mainframe or their PC's.
- ◆ DMT's Workflow system targets list receipt and shipment, conversion and hygiene, and merge/purge processing. Workflow helps DMT retrieve, report, and analyze processing activities. In 1993, DMT processed over 70,000 lists through Workflow.

The Best External Resources: During 1993, DMT processed over 7 billion names through its list hygiene services. These services include address standardization, zip correction, and assignment of carrier route and ZIP + 4.

DMT's proprietary software utilizes USPS databases, so clients mail to the most deliverable addresses for the least postage. To utilize USPS databases is an earned privilege — USPS licenses the NCOA* database to only 22 other list processors and the DSF* database to only 7 other vendors. We provide:

- ◆ National Change of Address* (NCOA), with 112 million change-of-address records. DMT is one of the largest processors of NCOA services.
- ◆ Delivery Sequence File* (DSF), with zip code, carrier route, and carrier delivery sequence for 125 million U.S. households.
- ◆ Carrier Route Coding and ZIP + 4 Databases.

*Direct Marketing Technology is a non-exclusive licensee of the USPS National Change of Address File and Delivery Sequence File.

What can we offer you?

List Processing Services handles list conversion, segmentation, hygiene, merge/purge, and promotional mail string processing. During 1993, DMT shipped over 7,000 mail strings with a 98.7% on-time performance.

DMT is a custom designer, offering clients total flexibility in choosing matching logic, priority, and allocation groups. Clients may carry extra data elements throughout processing to improve their name targeting. List Processing Services also helps clients optimize final circulation selection and mail quantities. DMT's Circulation Optimizer minimizes postage by adding or deleting names, adding offers, or suppressing names prior to shipping mail strings to a printer or lettershop. Our service includes extensive reporting via electronic bulletin board, spreadsheets, or reports.

Customer Database Services helps clients maintain records of customers, orders, items, and promotions. From a simple file update to a complex relational design, DMT can design and implement an efficient database solution. During 1993, DMT supported 24 full relational databases and provided list maintenance services for 120 customer files — each with its own design, update schedule, segmentation, selection, and reporting requirements. DMT can quickly and inexpensively implement a custom database design with our flexible software development tools.

Database updates are driven by each client's specific needs. Updates include the posting of purchase transactions (orders and items), address changes, suppressions, and promotion histories. DMT's proprietary fourth-generation software also allows updating of monetary fields, dates, and categorical classifications. DMT integrates list hygiene processing and customer scoring algorithms into each transaction update.

We also help clients extract recency, frequency, and monetary information which helps support multiple mailings from a single list processing project. Clients can also create promotions using selective binding, inserting, and messaging techniques available from most printers or lettershops.

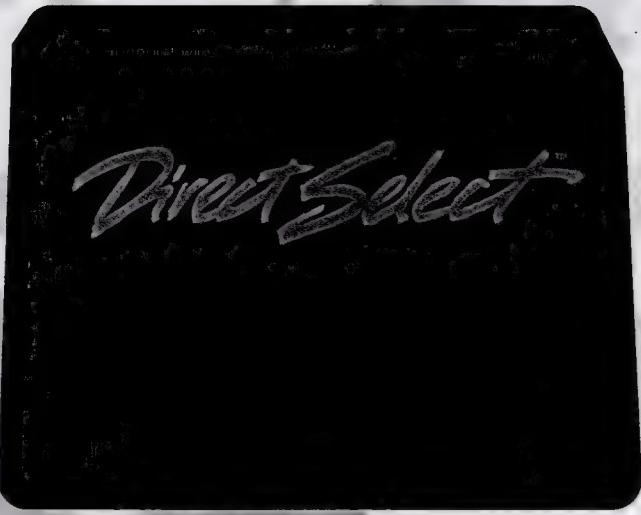
Direct Select is DMT's proprietary Windows-based software that gives clients instant access to their database information. Using their own PCs, clients easily prepare custom reports including segmentation reports, geographic and demographic analyses, product cross-purchase reports, original source reports, response and contact strategy analyses. Plus, the latest version of Direct Select is easier to use and faster than ever.

List Rental Fulfillment helps clients select names and attributes from customer databases that they can rent to other direct mailers. With Direct Select as its processing tool, DMT provides 24 to 48 hour fulfillment of list rental orders. Names, exact counts, and output formats can be prepared on any combination of 300 variables per query. Client files can be overlaid with demographic attributes to increase list rental income or improve analysis. Profile selection models are provided to mailers who rent names from large universes, as it simplifies the selection criteria. We also provide clients, brokers, and list managers with on-line shipping information.

Analytical Services assesses prior mailing performance in order to create more profitable future mailing selections. Service includes response analysis, model development and scoring algorithms for customer databases, and geographic/demographic model development for list rentals.

Response analysis includes matching orders back to a mail string on a name-for-name basis on any combination of segmentation variables. New segments can be evaluated to improve the next promotion's profitability.

DMT's modeling and scoring services utilize multiple regression techniques to analyze customer files. We use the SAS statistical package to assess customer attribute performance, resulting in a mathematical model that scores each customer record. When scores are applied, customers can be ranked for selection and segmentation. Our scoring algorithms allow clients to circulate that 50% of mailable names which provide 85% of revenue.



● Analyze, plan and forecast

**by resourcing your
own database...on
your PC!**



► DIRECT MARKETING TECHNOLOGY, INC.

Turn Your Data Into Marketing Information

Direct Tech – Your Partner For Success

Since its beginnings in 1981, Direct Marketing Technology has been committed to innovation in developing and adapting new ideas and technology to the field of direct response. PC Direct Select™ is just one more example of the kinds of leading edge tools that result from this commitment.

We also are committed to making certain that our customers receive every benefit of these new technologies. Our philosophy is to not only understand the intricacies of data analysis and advanced computer applications, but also understand the complexities of our customers' business.

Let us show you how PC Direct Select can benefit your business, through complete database management at your fingertips. Call us today for an on-site demonstration of PC Direct Select.

Crafted Through Experience... to Meet Your Needs.

PC Direct Select software represents a unique blend of the latest PC capabilities and proven database technology. Direct Marketing Technology's mainframe Direct Select system, the heart of PC Direct Select, has been providing focussed answers and actionable marketing solutions to over 150 of our clients since 1987.

PC Direct Select uses a file structure that counts and summarizes variables quickly and efficiently, either for single or multiple queries across an entire database. Up to 20 queries can be performed in one single user-friendly step. Additionally, a single query can summarize up to 24 data summaries for spreadsheet input.

With PC Direct Select, you have the power to analyze, plan and forecast by accessing your customer database right on your own personal computer...right on your desktop. And because you're using the latest up-dated version of your customer database, not extrapolated or summarized database "snapshots", you can analyze, plan and implement when you want to — without delay.

Now you can generate the information you need without disrupting your mainframe processing or updating. Plus, because PC Direct Select is on your PC you will not have to rely on access to an outside system, availability of phone lines, or other potential obstacles to efficiency.

Imagine the possibilities as you glean significant and actionable marketing information through this user-friendly software.

“When I previously requested customer information, it turned out to be what I asked for, but not all that I needed. Now, one single command using PC Direct Select gives me the ability to ask other questions and get immediate answers.”

Invest Your Time Analyzing Data, Not Gathering It

As a "quick start", Direct Tech provides you with a series of custom Marketing View Tables as part of your standard PC Direct Select package. These tables display:

- Segmentation Planning
- Original Date of Purchase
- Geography
- Response Analysis
- Product Cross Purchase Analysis
- Retail Store Analysis
- Subsequent Sales Analysis
- Database Audits
- Order Trends

Each table is designed for quick and easy analysis to help define the future of your direct marketing programs. A graphics package is also included to help you enhance your materials and present information in a much more understandable format.

Information You Need In Formats You Can Use

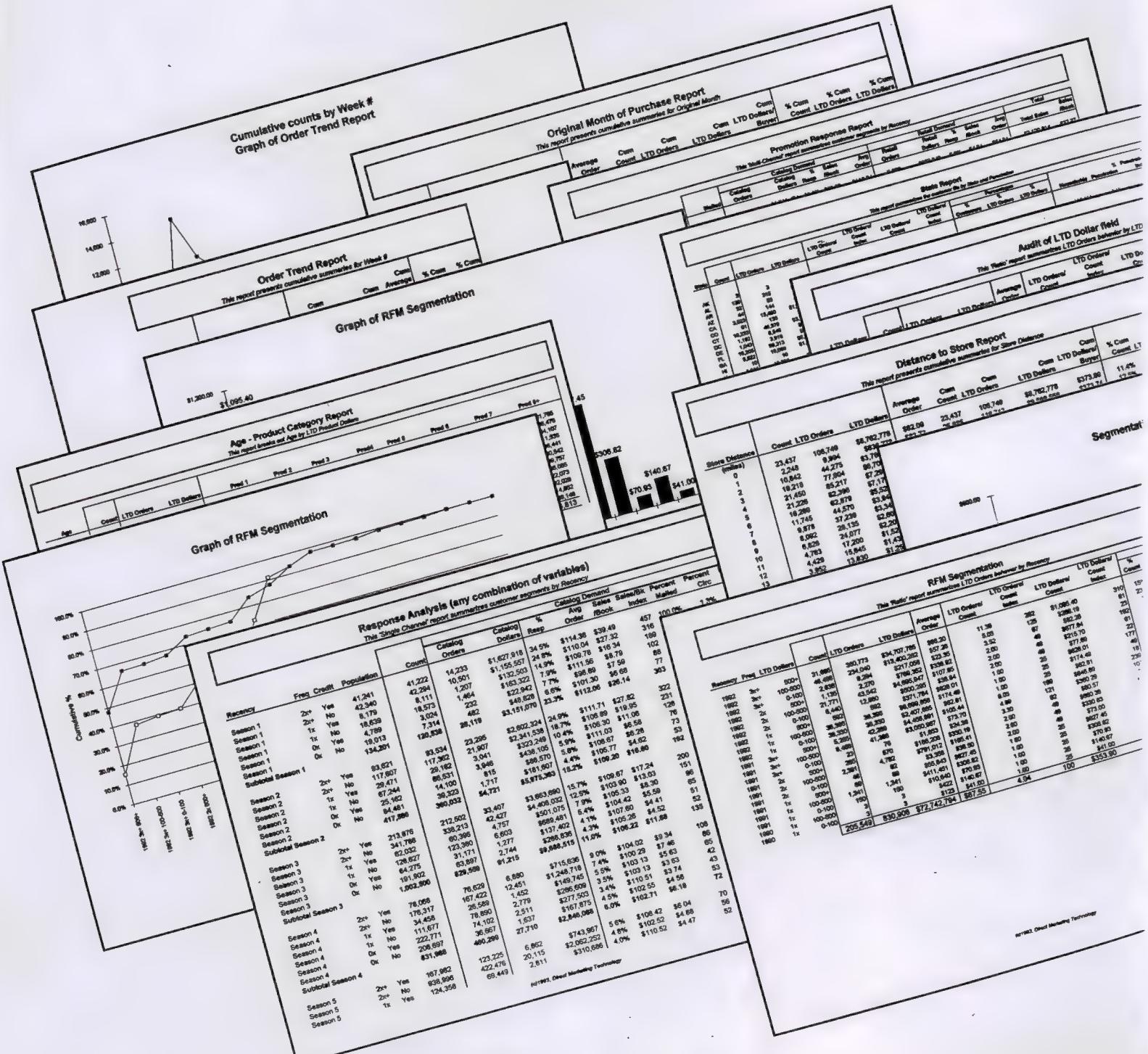
Helping you discover meaningful
as either a stand-alone site or as a

PC Direct Select is built around a

You get a full range of data analysis capabilities in one of today's most user-friendly

In addition, PC Direct Select incorporates Excel®-based spreadsheet tools, so you

This ease of use means you can prepare reports whenever you need them. Or you
advantage of all these capabilities without going through extended learning curves.



“I can access the data whenever I want to and
about the dynamics of my customer files.”

©1997, Direct Marketing Technology

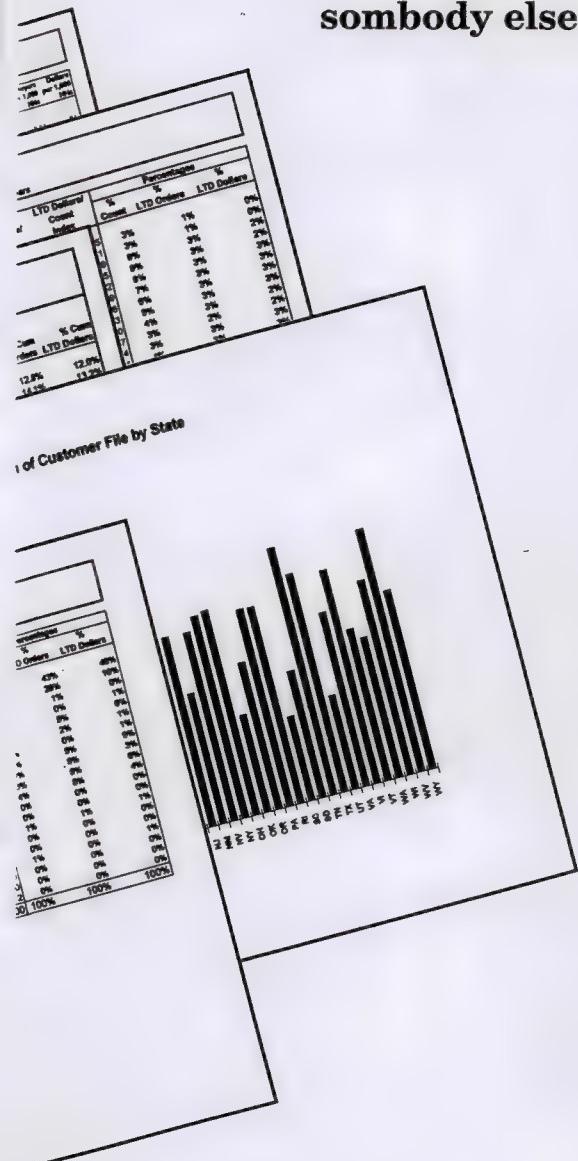
formation is just part of the solution. PC Direct Select also is designed to meld easily into the systems and programs you use now, operating right of your local network.

Graphical user interface and integrates Windows®-based tools so moving through the system is a simple menu-driven point-and-click process. environments. PC Direct Select is also supported by on-line Help screens and a readily accessible Help Desk at Direct Tech.

can easily incorporate the data management and graphics capabilities of this powerful software for your reporting and presentation needs.

I can execute segmentation and selection instructions for mailing or export spreadsheets to other PC environments. And you can take or complex training.

**“Because PC Direct Select is on our local network,
we can work on our own schedule, not the schedule that
somebody else dictates.”**



Standard Reporting and Analysis	
Market View	Report Formats
Segmentation Planning Query By Any Combination of 4 Attributes	Segmentation Counts Counts With Percentages and Dollars Cumulative Counts Cross-tab Variables
Original Date of Purchase	Original Year Analysis Original Month-Any Variable
Geography	State Summary State Penetration Analysis SCF Summary ADI Summary
Database Audits	Any Date Field Any Dollar Field Any Categorical Field
Order Trend Analysis	Orders By Week or Day Cum Orders By Week or Day
Retail Store Analysis	Store Distance Summary Store Segmentation Plan Store Distance-Any Variable
Product Category Analysis	Simple Product Category Cross-tab Product Categories-Any Variable Product Group Analysis-Any Combination of Categories
Response Analysis	Segment Response Analysis Any Combination of Variables for Single Promotion Segment Profit Analysis Any Combination of Variables for Single Promotion
Multi Channel Response Analysis	Any Combination of Variables for Single Promotion
Season Summary Response Analysis	Any Combination of Variables for Multiple Promotions
Subsequent Sales Analysis	Original Source Summary Original Source Types Original Date-Last Date Migration First Purchase-Subsequent Purchase Comparisons Life-time Sales and Margin Analysis

satisfy my curiosity

No Other Process or Product Measures Up to PC Direct Select

Function	PC Direct Select	In-House Order Entry System	Service Bureau Mainframe	PC Spreadsheets Excel®/Lotus®	PC Database Software FoxPro® Quattro Pro®	Other PC Software for Marketers
Desktop Access to Customers/Orders/Promotions	Yes	No	No	Summary only	Maybe	No
Summarizes Marketing View Tables and Attributes	Yes	No	No	Maybe	Maybe	No
Help Desk for Direct Marketers	Yes	No	Maybe	No	No	Maybe
Excel/Windows® Spreadsheet Backend for reports, graphs & further analysis	Yes	Maybe	No	Yes	No	Maybe
Count and Summarize 24 Attributes	Yes	No	Maybe	No	Maybe	Maybe
Report & Summarize across 12+ variables of millions of customers	Yes	No	Maybe	No	No	Maybe
Audit Database for Actual Values	Yes	Yes	Maybe	No	Maybe	Maybe
Quick Counts: 1 million customers in less than 10 seconds	Yes	No	Maybe	No	No	Maybe
Multiple Count Queries	Yes	No	Maybe	No	No	No
Windows Point & Click Cut & Paste (DDE) direct link to Excel	Yes	No	No	Yes	Maybe	Maybe
Runs generally available software	Yes	No	No	Yes	Yes	Maybe
Multiple Users in Local Network	Yes	No	Maybe	Yes	Yes	Yes
Can Use IBM Compatible PC	Yes	Maybe	No	Yes	Yes	Maybe



Q. **What are the primary benefits of PC Direct Select?**

A. For the first time, you have immediate access to your entire database — not extrapolated or "snapshot" data provided by other systems. And it's in your office, on your PC to be used as a stand-alone system or as part of your local network.

Q. **What can I do with PC Direct Select?**

A. Statistical analysis, strategic planning, "what if" analysis, respond to evolving and emerging markets. PC Direct Select gives you the planning tools to help you keep business, get business and develop new directions for your business.

Q. **What is so unique about PC Direct Select?**

A. PC Direct Select is a Windows®-based program which also incorporates Excel® spreadsheet tools to enhance quick reporting and presentation needs. It also incorporates Marketing View Tables which allow you to display the same query executed multiple times across your database in a single step.

Q. **Is PC Direct Select easy to learn?**

A. Yes, PC Direct Select is a menu-driven point-and-click system, easy to learn and simple to operate. It is supported by on-line Help screens and a readily accessible Help Desk at Direct Tech.

Q. **What about updates?**

A. Direct Tech updates your database on a schedule determined by your company. Once the update has been completed on our mainframe, a copy is downloaded and sent back to you so you're always working with the latest marketing information.

Q. **How do you charge for this product?**

A. There is a small licensing fee and a cost per thousand data transfer charge.

Q. **Is there a competitive product in the marketplace that is equal to or better than PC Direct Select?**

A. No. No other products on the market today offer desktop access to your entire database, Windows and Excel-based programs, or the Marketing View Tables capabilities of PC Direct Select.

Recommended Hardware Configuration

CPU

IBM Compatible
486 DTK PC, 8 MB of RAM
66 MHz
VGA Color Monitor
Keyboard, Mouse
3-1/2" Floppy Disk Drive

Software

MS-DOS 5.0 or higher
MS-Windows 3.1
MS-Excel 4.0

Disk Storage

Contingent of file size. Minimum 100 megabytes. For example, 5MM customers with 50 attributes (record size 100) and 5MM promotions (record size 308) have a recommended 2 Gigabytes Seagate drive with a SCSI II controller.



Media/Data Transfer

Diskettes, Bernoulli drive, or 4MM Digital Audio Tape (DAT)

Printer

Laser Printer

THE ART AND SCIENCE OF DIRECT RESPONSE



DIRECT MARKETING TECHNOLOGY, INC.

▼
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SCHAUMBURG, ILLINOIS 60173-4998

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DIRECTALK

STRATEGIC SOLUTIONS IN DIRECT MARKETING

INSIDE

- Scot Thomas on the Technology Explosion, page 3
- Focus: Relational Database at Bass Pro, page 2
- DT Kids Update, page 4
- Tech Tips, page 6

Preview of PC Direct Select™ Version 3

Definition

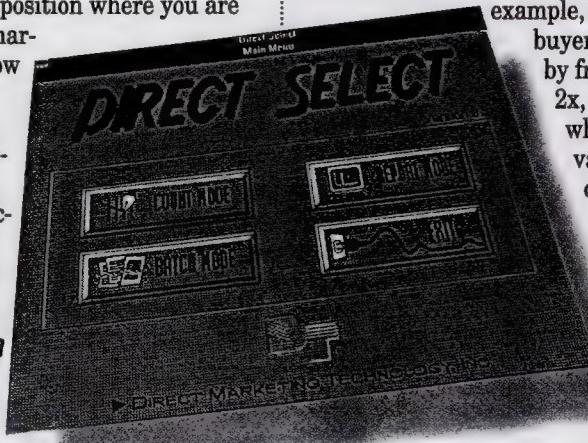
PC Direct Select is our proprietary Windows-based software that allows users to easily query data and create custom marketing reports within minutes using state-of-the-art point and click technology.

Restatement of Functionality

Proficient software development requires "tweaks and fiddles" to not only stay current, but to be in a position where you are considered a true market leader. You know you have a great product when you only make enhancements, and you leave the basic functionality of the product in tact. We did exactly that.

Consistent Data Access Functionality of PC Direct Select

- Desktop Access to Customers/ Orders/ Promotions
- Summarize Marketing View Tables and Attributes
- Excel® and Windows® Spreadsheets Backend for Reports, Graphs and further Analysis
- Report and Summarize across multiple



variables of millions of Customers

- Audit Database for Actual Values
- Quick Counts: millions of Customers in seconds
- Multiple Part Queries
- Windows Point & Click complete with direct link to Excel
- Multiple Users in Local Network
- Can use IBM compatible PC
- Help Desk for Direct Marketers

Enhancements of Version 3 — More Speed and Ease Of Use

Product Available First Quarter '95

1. Increased speed to save even more time.

The new Version 3 has two count engines including a hyperspeed engine which reduces query time to just two to three seconds for millions of records.

2. Extensive data dictionary for ease of use.

Typically a fair amount of time people spend working on a database is spent building up knowledge on their data. For example, how do our buyers break down by frequency... 1x, 2x, 3x, etc. and what is the value of retail, catalog, and combo buyers. Our extensive data dictionary, quickly provides such information

on screen so you don't have to learn it. This gives you more time to focus on the real working issues at hand.

3. The system was written with the design philosophy of "open".

Freedom is one of the principles you'll find in PC Direct Select Version 3. There are two diametrically opposed approaches to

Continued on page 5

Canadian Processing

it's just another 27 million people

DT has become an international information processor. It's in-house and soon to be in production. DT has secured Prism Data Services, Ltd.'s software for Canadian processing, coding and qualification.

Direct marketing has been a part of Canadian life almost as long as in the States. There are about 500 catalogers in Canada, compared to over 7,000 in the U.S. However, with the reduction and eventual elimination of import tariffs, U.S. direct marketers have steadily become more active since the late 80's. Even



with their southern counterparts in the act, Canadian catalog volume was only 2.7% of overall mail stream in 1993. (By comparison, direct mail here is 45-60% of the mail stream.)

Canadians are twice as responsive as U.S. consumers — they're not nearly as saturated by direct mail, so their response per opportunity is higher. That's why that 27 million population buys like 50 million, but with only half of the marketing cost.

DT has positioned itself to provide integrated in-house processing for domestic as well as Canadian lists. Even though there might be "a different word for everything", the Prism software presents address information in such a fashion that Merge/Purge, coding and qualifications will run efficiently and nearly as easily as they do at home.

A new guide to Canadian processing will be distributed, and the software will be integrated into Workflow.



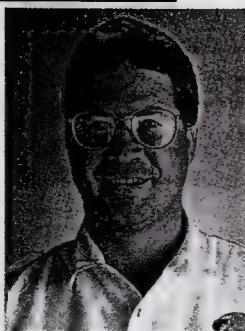
Bass Pro's Sophisticated Approach Maximizes Information

Sporting/Hunting Goods Catalog Optimizes Technology to Create Relational Database

Bass Pro is a leading cataloger in fishing, hunting, clothing, equipment and supplies for outdoor activities. Their reputation for quality, price, wide product selection and reliability has made them a success since their founding by John L. Morris in 1971.

Located in the peaceful setting of Springfield, Missouri, this specialty catalogue has harnessed the power of technology to bring their rough and ready product lines into the homes of sportsmen and women throughout the world.

Ed Woods, Database Marketing Manager of Bass Pro, decided to enhance the current database when he



assumed his position in 1992. As the

Vice President of Marketing and Manager of Databases for Grenada Sunburst Systems Corp., a financial services company, Woods had already built three relational databases and he knew the same could be accomplished with the Bass Pro files.

"I wanted our database to be expanded into a true hands-on relational marketing database," he explained, "and I began to

search for someone with whom to work. Our IS staff and database staff talked with four or five vendors before we selected Direct Tech.

"We were more pleased with the Direct Tech level of services, the number of product offerings they had and their well rounded and detailed approach to systems, products and people."

"We've also been very pleased with the level of personal attention that all members of Direct Tech have given us. They have always been very willing and able to meet with us, to talk with us, to strategize and plan. And, we are particularly pleased with their willingness to bring new ideas to the table."

The Bass Pro and Direct Tech relationship began when Dan Nasharr, Account Executive from Direct Tech, was selected as one of the vendors to propose building a relational marketing database for Bass Pro.

"The solutions proposed to Bass Pro were designed to maximize the marketing value of each customer. We worked together to develop a complete customer record that would drive the marketing strategies for each catalog," Dan said.

"I already had an idea of what I wanted since I had already built three relational databases," Woods continues, "and I knew involving our IS and database people was the way to create a functional database that our people would maintain."

"Our approach with Direct Tech was very evolutionary. They committed many hours and dedicated people to meet with us and we began to build the database in August of 1993. By November 1993 Direct Tech had completed the database — on time as well!"

"In September and October of the same year we began to work with Direct Tech to build segmentation scoring models for our Spring Fishing catalog. And we found this scoring model did a very good job of predicting a true representation of what would happen. The model accurately predicted what would happen with our actives and inactives, and the fall off we could

expect between mailings. It showed a very clear decile split and allowed us to make marginal rental lists more profitable."

"As a result our Spring Fishing Catalog had a substantial lift in sales volume."

"We think our relational database is a cutting edge tool in helping us be more successful. We try to incorporate new technology when it reaches the level and price point that we can take advantage of and execute it to make us more profitable."

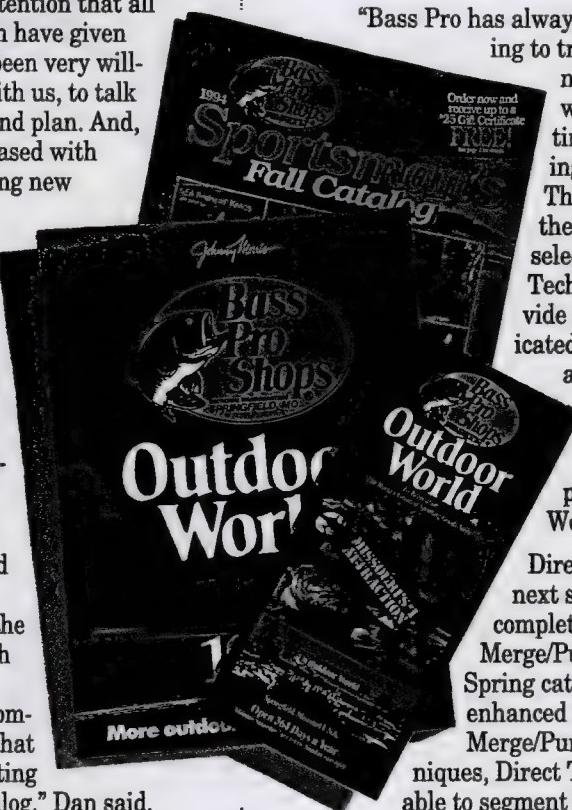
"Bass Pro has always been willing to try new techniques and we are continually testing new ideas. That's one of the reasons we selected Direct Tech. They provide us with dedicated expertise and experience, surpassing other companies," Woods said.

Direct Tech's next step was to complete their first Merge/Purge for the Spring catalog. Using enhanced Merge/Purge techniques, Direct Tech was able to segment the list with multiple scoring and appending attributes for even better defined selects.

As Woods details, "Our ability to identify potential catalog customers has been capitalized. We're also very pleased with the ability to identify inactive customers with purchase potential and devise ways to reactivate them profitably. Working with Direct Tech we've employed personalized letters, catalog mailings and other techniques that have regained these customers at a profit."

"We are seeing increased profits because of better purchase indicators and decreased mailings to unproductive customers. We see an excellent lift in both our house models and rental models. In fact, we are so pleased with the models and capabilities that we are now building models for other catalogs."

But the Bass Pro/Direct Tech partnership *Continued on page 5*



SCOT THOMAS ON:

Take Control of Technology

When Direct Marketing

Technology first began to work with the direct response industry, mainframes were the only game in town. List maintenance was basically correcting and deleting bad addresses and analysis was at best the RFM model.

As the technology explosion hit the workplace we saw faster, smaller and more versatile computers and software about modeling, real time access, house files that could be manipulated to construct the ideal buyer, and data enhancements that helped target a customer more specifically.

Now we're inundated with stories about the information highway and warned that success will only come with total command and self-sufficiency with all the nuances and variability of computers and software.

But what the information highway really means to you is a range of options to provide solutions for your company. That means some jobs require the power of a mainframe, others are better for networking and many can be best accomplished using a personal computer.

At Direct Tech we know that technology serves to help you be more productive, more creative and more profitable. Just as the evolution of the "black boxes" from room size to desktop has opened up a myriad of options, Direct Tech helps you maximize these options to accomplish your goals and needs.

We view technology and its uses as a vehicle that will help you save or make money for your company. Because we are a high technology company in a high technology industry, we specialize in providing the appropriate techniques and software applications to efficiently serve you. Our system and applications experts continually work to forward technology, providing you with solutions to respond to the changing industry, environment, technological and, most importantly, client needs.

Our commitment is to work with you to determine which systems will be most suitable for your projects and plans for today as well as tomorrow.



Technology Across All Computer Platforms

Direct Tech embraces mainframe, client servers and PC platforms. We can respond to your unique needs because we have highly skilled and knowledgeable people expert at customizing solutions, and the flexibility to deliver them through a technology environment right for you.

Your Direct Tech Account Representative will work closely with you to help determine your specific needs and recommend the programs and protocols that will best generate the results you desire.

Platforms of Performance

Our mainframes are used for crunching large amounts of data, maintaining large databases and performing mail stream processing. Within those programs, analysis, segmentation and modeling can be developed and customized for your needs and various reports can be generated at many levels.

Our client server programs provide you with data access for network users. In these programs you can play "what if" games to create counts, analyze alternate segmentation schemes and manipulate data to create customer profiles.

Our network-based PC Bulletin Board System allows you to network with other Direct Tech users to send E-mail messages; access spreadsheets; receive files and upload back-end specifications and other detailed information and even receive Merge/Purge reports.

Personal computers are also an intricate part of the Direct Tech platforms of performance. Our PC Direct Select™ program lets our customers access their data on their PC. The increased analysis and reporting modules including multiple division buyers, season promotion histories and life-time value modules that allow you more control and analysis so your return on investment is immediate.

PC Direct Select and your personal computer let you have even more auditing abilities to construct profiles, modify dollar breaks for postage and handling and identify cross buyers to create additional circulation plans for increased profitability.

Direct Tech helps you harness the most appropriate technology for your needs — whether you are building a relational database (see Bass Pro story); maximizing enhancements for Merge/Purge or seeking

sophisticated segmentation models. We offer the flexibility and systems you need so you aren't held captive by technology. We don't force you to accept a particular solution because it meets our needs — we work with you to marry your goals to the technology that will best provide it.

Call me or one of our Account Representatives and let's discuss where you'd like to be more profitable and how we can work together to accomplish your goals.



DT Information Services Su

Database

General Contents

Edited, mailable address changes within last 18 months in conjunction with NCOA; phone number base

Names, addresses, phone numbers

Demographic attributes (income, age, presence, phone number)

Suppress file; persons not receive direct mail; service supplied by DM

Suppress file of prison inmates

Suppress file of deceased within the past 3 years

Old, undeliverable address file DT database

Names and ratings of registered voters (last 24 months); participation in political activities

Households with children under 18 years old; households with children 7 months and 10 years old; households for rental, overlay, add-a-name, Add-A-Name; participation in political activities

Verifies the deliverability of address and appends addressing information

Contains address changes and logic to find addresses last 36 months

Update on DT Kids List

DT Kids — 12 million plus families with children

Direct Tech has recently completed building a database of over 12MM families with children ages 1 year to 10 years who have also made a mail order purchase. The file has several attributes for selection including amount of purchase, household demographics, number of children in the household, and year/month of birth of each child. The DT Kids database will be marketed jointly by Direct Tech and Burlington Marketing.

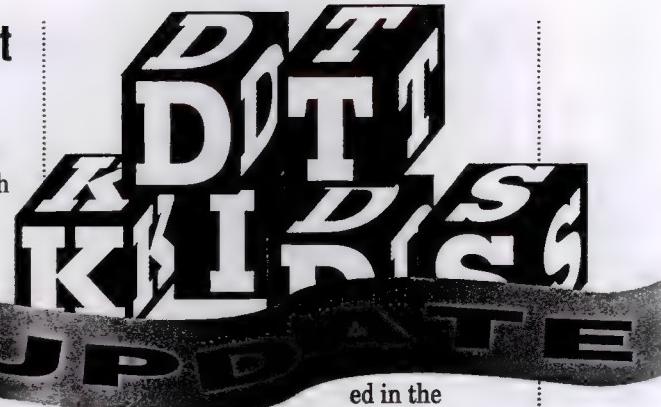
The complete database resides in Direct

Select and Direct Tech clients can use the file to overlay Kids information within merge/purge processing or selectivity add names into a merge/purge net — all on a net name basis. Selects from DT Kids can also be used as an Add-A-Name source to optimize postage.

**The DT
Kids file
can be used
for any of
these applica-
tions:**

1. List Rental. Selections from DT Kids are available for mailing on a net/net basis allowing for full deductions for both house file and drops to other rentals. DT Kids can be selected and

segmented from any combination of selectable attributes. DT profile scores can be built for specific clients desiring to use large quantities of names. A summary of attributes available and counts are provided in the chart shown.



2. Selects from DT Kids are entered into a client's merge/purge to:

- Identify matches to a client's house file within the merge/purge which could result in mailing additional offers or inserts based on DT Kids attributes.
- Create incremental rental circulation from DT Kids matching rental lists. These circulation quantities are reported separately on merge/purge net key counts and are available on a "net names mailed" basis.
- Select and mail DT Kids segments by any combination of selectable attributes. Direct Tech can also develop a profile scoring technique to help a DT client determine the best combination of attributes to select.

3. Overlay information permanently to a customer file. Specific attributes from the DT Kids file can be permanently appended to a client's customer file. Selected attributes such as Number of Children within a household, age of oldest child, age of youngest child, and actual month of birth can be appended to a client's customer file for unlimited use.



List Rental Attributes and Counts

Number of Households by Age of Oldest Child

Age	Count
Less than 1 year	786,067
1 Year	1,092,208
2 Years	1,093,591
3 Years	1,092,241
4 Years	1,092,963
5 Years	1,092,184
6 Years	1,092,193
7 Years	990,000
8 Years	990,641
9 Years	780,963
10 Years	679,806

Number of Households by Number of Children

1 Child	11,244,171
2 Children	303,395
3 or More Children	43,351

Number of Households by Gender of Children

Male Only	2,205,040
Female Only	2,441,367
Both Male and Female	12,334

Merchandise Buyers

\$50.00 or More	1,260,508
\$35.00 to \$49.00	1,700,169
Under \$35.00	1,352,341

Presence of Telephone

Number available	3,174,341
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Additional selections are available and include number of males, number of females, gender of youngest or oldest, birth date of youngest or oldest, amount of purchase, method of payment, and individual genders and birth dates (additional fee applies).

Postal Information

DSF Delivery Type	8,425,801
Change of Address in the last two years	357,297

Additional File Enhancements

Selections may also be made by age of head of household, phone number, household income, length of residence, home ownership, education level, and ADI code.

Bass Pro

Continued from page 2

has gone further than the database/scoring model projects.

In February 1994 Direct Tech's PC Direct Select was installed to aid in customers/orders research; to provide promotion history and to allow analysis of prior mailings to improve future selections.

PC Direct Select is the proprietary system Direct Tech supplies to allow clients to access their customer data and other datasets to manipulate data for research.

"We use PC Direct Select for our in-house ad hoc research." For example, "We will use PC Direct Select to analyze and identify potential mailings to customers for our Big Cedar Lodge Resort.

"Because we can append demographics and geographics provided by Direct Tech onto information provided by our Bass Pro Shop customers we can also identify potential catalog customers on the retail side. We are able to take retail customers and work with their transactions to model them against our house file. This isolates customers who are catalog customers versus catalog and retail. We can then cross sell retail customers with catalogs for additional sales. It is this level of sophistication and help that we get from Direct Tech and it is one of the reasons we are so pleased with them."

Direct Tech and Bass Pro have combined the best of technology and techniques with dedicated people to create marketing tools that keeps Bass Pro on the leading edge of technology. With 16 catalogs and more than 30,000,000 pieces mailed annually, the ability to model and predict results is even more important to sustained growth and profitability. Bass Pro's newly designed relational database is the difference between acceptable and fantastic results.

"In 1994 we've tested mailings and models we developed with Direct Tech's help and we intend to maximize these models in 1995. We're very pleased in our relationship with Direct Tech and we are gratified at the personal attention and quality of work they provide us at all levels. Direct Tech has brought us new ideas and a level of support that you rarely see. They help us know our customers better and that ultimately means a better bottom line," Woods concludes.



Direct Select™

Continued from page 1

software development: (1) steer the user down a pre-determined sequence of steps to perform a particular function or (2) let the user have the freedom to choose what they want to do next. Generally people like the freedom to choose the order we do things in and software is no exception.

Typically the freedom makes us more productive since we can work in our own style rather than someone else's.

4. Visual feedback — see what you are creating.

Our database software enables you to see what you are building every step of the way. On the screen, as you pick and choose variables to answer your questions, you see the grid unfold. Add a row and there

it is on the report.

Pick a value and you see plain English such as "gender is either male or female" along with the quantity of values on your database. It's certainly easier to design a report when you can see what you are doing as you build the report.

5. The on screen advisor Professor Lingy rather than off screen help.

For novice users, Professor Lingy has a spot on the screen to help walk you through accessing your data. We call him the 'on screen advisor'. He's intelligent and "context sensitive" without requiring you to interrupt your work and pull down another help window that covers up what you need help with.

6. Broke some of the rules to make it more usable by non-experts.

Rules are great because they can standardize the way things work. However in this case, we broke the rules to deliver on screen an easier-to-use method (mouse drive) to access your data on a MS Windows PC.

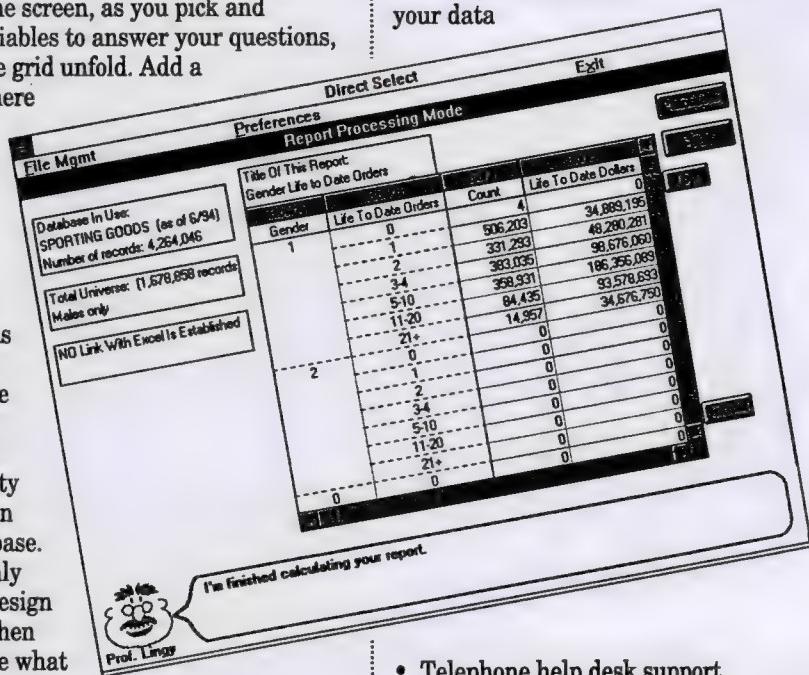
7. Learn from the past.

We incorporated a lot of user feedback

from earlier versions of PC Direct Select and prototypes. We're always looking for feedback from you. This is a preview of Version 3 that will emphasize our clients input while retaining the same superior functionality of earlier versions.

8. It's more than just providing a database tool.

- Fast data access on PC
- More intuitive interface
- Solutions Guide showing actual applications and reports
- Consulting on what data is available from your main database/housefile
- In depth training on your data



- Telephone help desk support
- Analysis with experts who have worked with scores of direct marketers

Conclusion

Marketers are an ingenious bunch always looking to meet the needs of their customers. The marketer has the ability to form hypothesis and prove them out with PC Direct Select. And with Version 3 they can now do it even quicker and easier.



10 Things You Should Know About NCOA

1. NCOA (National Change of Address) is a USPS (United States Postal Service) licensed database. Direct Tech is a non-exclusive licensee of NCOA.

2. NCOA has individual, family and business moves with the majority of records being consumer names.

3. NCOA is updated every two weeks — we receive the files every other Wednesday and we restore the database every other Sunday.

4. Always run NCOA prior to Merge/Purge to avoid adding duplicates. There is a good chance (40%) the new address from NCOA is already in your mailing.

5. NCOA average hit rate is around 3.6%.

6. NCOA hits will contain the USPS identified new address along with a move date YYMM (position 239 — standard DT).

7. Runs using NCOA/DT-COA will always use NCOA first and the non-hits will go through DT-COA.

8. NCOA can be run at the individual list level under DT Workflow.

9. NCOA is currently at 112,882,411 and has address changes from the last 36 months.

10. NCOA matching logic is regulated by the USPS, as is DSF. DT's NCOA matching and database logic is audited approximately 3 times every 2 years. The audit input and output is regulated by the USPS. The audit is requested at somewhat random times with little advance notice and DT has 24 hours to supply the USPS with the required output.



Tech Tips



■ Faxing a layout, keycounts and dump to your Account Service Rep before tapes arrive will help expedite processing as they can set up all convert specs prior to receiving tapes. Once tapes do arrive, they get converted without delay.

■ With our new "SEG GENERATOR", clients can send their housefile segmentation on a Lotus or Excel spreadsheet via diskette or the BBS and our Account Service Reps can turnaround counts quickly. For spreadsheet format specifications, call your Account Service Representative.

■ Client usually order rental lists before they begin to create their housefile segmentation. Some clients will wait to send us their lists of lists until they have everything decided upon. No need to wait. By sending us the rental list of lists as soon as it is available, we're able to log tapes in as they arrive, thus allowing the conversion and preprocessing to stay ahead of schedule. As soon as the housefile list segments are available, they can easily be added.

■ Clients can send their reps an E-mail message through the BBS. It may be more convenient than faxing a message or playing phone tag. It can also be used for transmitting job specs.

■ Not only can Account Reps send Merge reports to clients via BBS, they also have the capability to send various key counts and stat files (finder files, zip stat files, etc.). Additionally, they utilize the BBS for transmitting/sending container tapes to lettershops. This, of course, is a huge time saver and also saves on shipping charges.

Did You Know...

■ DT's NCOA Promise:

NCOA your Rentals. If the additional dupes don't cover the cost of NCOA, then Direct Tech will

■ SuperCoding:

1% to 3% Additional CR and Barcode eligible addresses

■ Address Element Correction:

Fix 65% of non-codables to achieve CR or Barcode discounts

■ Flats Barcode:

\$17/M savings for putting the Barcode in the address

■ Add-A-Name:

Opportunity to add names at virtually "free" in-the-mail cost



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DIRECTALK

STRATEGIC SOLUTIONS IN DIRECT MARKETING

INSIDE

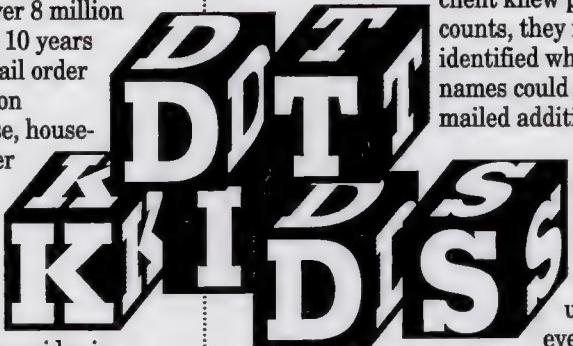
- Tom Newkirk on Future Challenges, page 3
- Focus: Customer Database Optimization using PC Direct Select™ at Current, Inc., page 2
- Address Element Correction Lowers Postage Costs, page 5
- Tech Tips, page 6

Direct Tech Announces DT Kids Database

Proven mail order households with children is the focus of a new database created by Direct Marketing Technology. Mailers can choose from a file of over 8 million families with children 1 to 10 years of age who have made a mail order purchase. Selection criterion include amount of purchase, household demographics, number of children in the household, and month of birth of each child.

Ideal for offers for children's clothing, clubs and merchandise, the database resides in Direct Select so Direct Tech clients can use the file to overlay DT Kids information within the merge/purge process or selectively add names into a merge/purge net — all on a net name basis. Selects from DT Kids can also be used as an Add-A-Name source to minimize postage.

Direct Tech and Burlington Marketing will jointly market the DT Kids database. For more information contact your Direct Tech Account Executive, or Janet Paske, Manager of Information Services at 708-517-5854 or Bob Goldstein at Burlington Marketing 617-272-3432.



Clients Report Immediate ROI With PC Direct Select™

User acceptance and use of Direct Tech's PC Direct Select™, introduced in June 1993, has proven to be highly successful while the return on the minimal licensing investment has often been immediate.

This PC based database system allows you to access and analyze data using variables significant to you. After analyzing postage and handling, for example, one client was able to increase average order size by over 20% by modifying the dollar breaks. When a frequency distribution of order dollars was prepared for the prior season's orders, the graph of orders versus order dollars peaked just below each and every postage and handling increase.

Another client identified cross divisional buyers and developed additional circulation adding "number of divisions" to an RFM segmentation plan. Because the

client knew precise counts, they readily identified where names could be mailed additional offers.

PC
Direct
Select
gives
users

even more control and analysis capabilities with the addition of analysis and reporting modules. These modules include multiple division buyers, season promotion histories, and life-time value. Easy-to-learn and easy-to-use, PC Direct Select provides a valuable tool to help develop alternate customer contact strategies.

Development Paths Assure PC Direct Select Will be Even More Powerful

Continuing development of the PC Direct Select family of software products is now focusing on:

Continued on page 5

Government Plan Will Impose Sales And Use Tax Burden On Interstate Sales



By Gary Giesler,
Executive Vice President
Arizona Mail Order

The federal government is proposing a new tax which, in effect, penalizes those buying merchandise via catalogs and other direct response media. In addition, promotional materials (such as catalogs, supplies, rental names and other services) could be subject to sales and use tax at the prevailing rate of each state.

The proposed legislation threatens mail order shopping convenience by asking shoppers to pay sales tax based on their applicable state rates and also pay sales taxes on the rates in the gift recipient's state.

The proposed legislation means:

1. Inconvenience

- As many as 6000 different rates would be required depending on various exemptions and ship-to locations.
- Every manufacturer or supplier who sells to an end-user would be required to charge and collect taxes.

2. Higher Cost

- Collection problems associated with the thousands of taxing variables could increase to six or seven times the cost of retail stores, necessitating costs be passed along to the consumer.

- A likely reduction in postal volume may result in postal increases. The postal increase would result in lower volume... which would result in a postal increase... which would result... A vicious circle.

- Small businesses in the marketing, printing and service related industries would suffer from loss of revenues and jobs.

3. Fewer Choices

- Smaller specialty catalogs as well as other books would be forced out of

Continued on page 4

Current, Inc.

"Now we can mine our database to answer business questions and react quickly to get offers in the mail."

Debi Hutchens, Circulation & Analysis Manager of Current, Inc., Colorado Springs, Colorado is an ardent fan of PC Direct Select™, the powerful customer database that lets you analyze your entire database on your own stand-alone system.

"Before we began using PC Direct Select, all of our customer information resided in our mainframe. In order to do any kind of analysis we had to fill out a MIS request and wait for the IS department to pull the data. Sometimes this was very time consuming because IS was also working to process orders and carry out the day-to-day functions of running a direct mail company. And, if you aren't familiar with all the fields on the database you might not request all the variables that would be useful — simply because you just weren't aware they were there. Also with a mainframe resident database it wasn't viable to enhance the database. That's why PC Direct Select has become such an invaluable tool to us."

Current, Inc. has used PC Direct Select since August, 1993. Initially Direct Tech and Debi worked together to establish the parameters of building their unique data-



Tech made it easy to create the database we now use.

"After the database was completed we turned to Direct Tech for training. That proved to be a very pleasant, as well as fun experience. The Windows-based program is really easy to use and learn. Because it is basically a point-and-click system, the learning curve is small and you can begin to create unique analysis requests almost immediately. That means we can answer business questions much more quickly than when we were dependent upon the mainframe for information."

"The Direct Tech support people and trainers were always there to answer questions. They helped us develop our analysis needs. I've reviewed lots of programs and none of them were as easy or as convenient as PC Direct Select."

To date, Current, Inc. has used PC Direct Select to plan and implement four mailings. They have also researched business questions such as geographic buying patterns, cross purchasing among business units, and structuring a recency, frequency and monetary model unique to their company.

"PC Direct Select gave us a lot of customer related variables that we can use. And with the internal calculations built into the PC Direct Select database we are able to enrich our data for a more sophisticated analysis."

"PC Direct Select also gives us the ability to look closer at our data. Before, we weren't able to look at both individual and household information. We had to depend on standard reports. Now we can generate the kinds of reports we want with as much level of detail as we need. Our reports reflect the kinds of business we are conducting and not the boilerplate information you get with other systems."

"Lifetime analysis has also been easier with PC Direct Select. Our database is

refreshed every other month so our information is current and accurate. We control the information we use so we can make better informed decisions and ultimately increase profits and control costs by getting the most of our mailings."

After we devise our mailing plan, Direct Tech helps us implement it by running the merge/purge and list cleaning programs. They also help us add names and sort to maximize postal savings. PC Direct Select has become such an integral part of our analysis that we really don't know how we'd function without it."

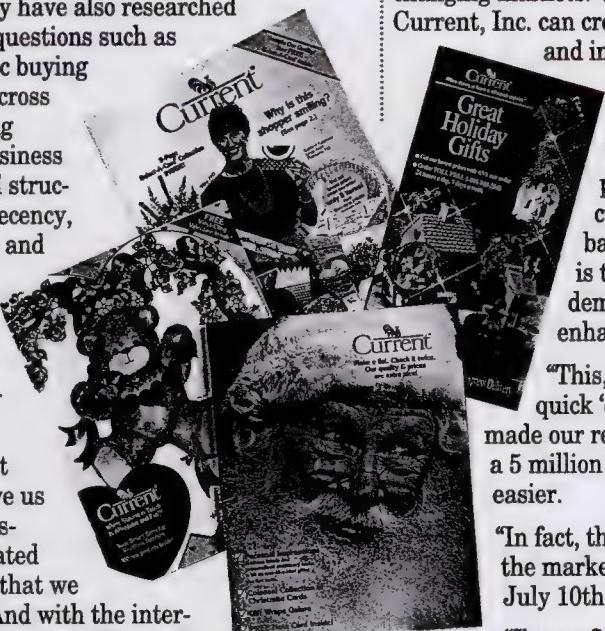
The data available for analysis is the information Current, Inc. requested, presented in a format compatible with existing company reports and data gathering methods. PC Direct Select affords the opportunity for direct marketers like Current, Inc. to use the information they've gathered to make better informed decisions about their mailing strategies and to allow them to respond quickly to changing markets. With PC Direct Select, Current, Inc. can create a mailing plan and implement a program within days or weeks instead of months.

"An additional by-product of having our customer file on a database at Direct Tech is the easy access to demographic data enhancement."

"This, combined with their quick 'counts' capability, made our recent decision to put a 5 million list on the market easier."

"In fact, this file will be going on the market, for the first time, July 10th."

"I'm confident PC Direct Select is going to continue to be an integral part of the way we do business. And as we become more proficient we will find even more ways to capitalize on the abilities of the program. PC Direct Select gives us a competitive edge because we can read and react to changing market and customer conditions and base our business decisions on the information we have. Direct Tech makes sure we are supplied with the most current and accurate information. And we know we can depend on them for technical and mailing help. Our results with PC Direct Select and Direct Tech have been very good and we are confident that results will only get better."



“Our reports reflect the kinds of business we are conducting and not the boilerplate information you get with other systems.”

base. "Direct Tech did a wonderful job of setting up the program and training us. While we were building the database I'd call and say 'can we add this variable or include that information'. Even though we'd already begun structuring the database, they were always more than willing to make the changes and suggest additional ways I might look at the data. Direct

Future Challenges

Working day-to-day in direct marketing is sometimes difficult. Copy deadlines, customer file update deadlines, and printer due dates. Occasionally, we must step back to review the basic dynamics that drive our business and determine if any current events or trends will positively or negatively

impact and challenge our future. This issue of DirecTalk covers some of these future challenges.

S.1825 Use Tax

Direct marketers will face the task of collecting sales tax in all 50 states if S.1825 passes. Marketing by mail order will become more costly and cumbersome and therefore less competitive with retail. A more subtle travesty of S.1825 is that all your promotional costs — printing of the catalog, list rentals, and computer services will become subject to sales tax as well. Assuming postage (so far, they don't want to tax postage; however, New York tried two years ago) is 50% of your in-the-mail costs, an 8% sales tax on your promotions represent a 4% increase in your in-the-mail costs — nearly as devastating as a postage rate increase. S.1825 represents a future challenge to us all in direct marketing. Read Gary Gielser's article to learn more about this future challenge.

Address Element Correction Service

The USPS for a long time has been telling us that 10% to 15% of all 3rd Class mail is undeliverable as addressed. They are probably right. But, by using the Address Element Correction Service, we have the potential to fix 5% of your addresses. Read the article on Address Element Correction Service. Then look at some specific names and addresses on your most valuable asset — your Customer Database. Take the time and effort to do whatever is possible to keep your Customer Database as clean and deliverable as possible. In the next postage Rate Case, the USPS will force you to do so anyway. But why wait? Our future challenge is to either fix our undeliverable addresses, or face not being able to mail 10% of your customers.



Managing The Merge/Purge Process

Direct Tech's merge/purge processing sequence including receipt of lists, list hygiene, merge/purge, and mail string preparation encompasses extensive list hygiene processing resulting in cleaner more effective mailings. Our flexible processing and computer resources allows us to carry additional data elements to support extensive variable binding and inserting requirements. Direct Tech's automated Workflow System monitors, plans and controls the merge/purge processing sequence. It's the key to last year's 98.7% on-time performance.

Our Flexible Merge/Purge Reports represent another step in analyzing and using the additional process control information supplied by DT Workflow. Our future challenge is to extend, simplify, and expedite the communication of such information between Direct Marketing Technology's clients, brokers, and list managers.

Invest In Technology

Direct Tech provides direct marketers with complete desktop access to their Customer Database on a PC with no mainframe connectivity. We introduced PC Direct Select™ in June, 1993 and in less than a year have 40 installations and an additional 6 about to be installed. Not bad for the first year's work. However, PC Direct Select is only a tool. When placed in the hands of a creative analyst, a minimum investment in software can yield substantial rewards. Once you have a quick and flexible tool to access your customer file, it's easy to identify new targeting and segmentation techniques. Our client story this issue features another PC Direct Select success story — Debi Hutchens from Current, Inc.

Direct Tech's future challenge is to continue to invest in R&D that leverages the declining cost and increasing capabilities of PC based technology. Our job is to continue to provide superior software and application solutions to our direct marketing clients. If we are satisfied with yesterday's technologies and solutions, we will miss a huge opportunity. Our challenge is to listen to our clients' requirements and invest our human resources in the proper software development strategies. Our clients' success stories are ours.

Sure running a direct marketing company is not easy. But if you can respond to some future challenges, it can be a lot easier and certainly much more rewarding. Direct Tech will always be vigilant in observing changing technologies in data processing and communications. Our pledge is to continue to develop solutions and applications for direct marketers that leverage these future changes.

DT Workflow Maintains Quality Control, Aids On-Time Performance

Direct Marketing is a time sensitive endeavor, and delaying drop dates because your list processing isn't completed can affect your delivery dates, order flow and profitability. Direct Tech understands the need to meet or beat processing deadlines and that's why the DT Workflow proprietary process control system, has been invaluable. In 1993, for example, DT Workflow helped Direct Tech achieve a 98.7% on-time performance as 4.3 billion names were processed for over 4800 jobs.

DT Workflow tracks receipt and shipment of lists, conversion and list hygiene and merge/purge processing. The system's operating database schedules and executes computer tasks on a list rather than project basis so our mainframe computer resources are maximized. In addition, DT

TABLE 1

PERCENTAGE OF LISTS PROCESSED

Prior to Cut-Off	Received	Converted	CRT Code/INCOA	Zin Concerted Process
14 Days	45%	33%	30%	30%
2 Days	92%	83%	80%	78%
DT Cut-Off	97%	92%	90%	89%

Source: DT Workflow — 32,380 Lists Processed Between June and December 1993.

Workflow summarizes each job processing task by project, client, DT account executive, DT customer service representative and the list/broker manager — so clients can track their job. DT Workflow also maintains a detailed database of processing counts to retrieve, report and analyze processing activities. Clients never have to guess where or when their lists are in the system.

Continued on page 6

Flexible Merge/Purge Reports Implemented

Accommodates Client Requests for Special Reporting

Over the next six months Direct Tech will begin implementing a new database driven reporting system. DT Flexible Reports will draw on our massive mainframe database of DT Workflow processing results to produce flexible summaries in clear and easy to analyze formats. The ability of our extensive PC network to directly manipulate mainframe processing results as if in a PC spreadsheet to give Direct Tech the most comprehensive and flexible merge/purge reporting capability available today.

DT Flexible Reports feature:

- List processing variances beyond a user defined threshold are highlighted on reports for easy identification and auditing. For example, any list with a Carrier Route coding below 90% can be highlighted.
- All reports can be output as data files for use within spreadsheets or other internal client databases. The data can be transferred to clients electronically through DT's Bulletin Board System.
- Clients are no longer restrained by fixed report formats. Additional key code counts and segmenting and subtotal options are an integral part of DT Flexible Reports. Reports in list number, list name, or source key order can be printed at the push of a button.
- Custom reports of list processing counts and statistics needed to meet special situations can be quickly produced upon client request.
- Exception reports can be run selecting lists that meet specified criteria. Instead of reams of reports possibly obscuring small bits of information, clients can now let DT Flexible Reports sift through the data to uncover the desired exceptions.

The DT Flexible Reports for merge/purge includes:

- List Conversion Reports
- List Attribute Reports
- Pre-merge List Hygiene Processing Reports
- Merge/Purge Gross-To-Net Reports
- Merge/Purge Net Counts
- Mail string reports

Direct Tech customer service reps will have direct access to the merge/purge processing Workflow database and can prepare reports on current or past projects with equal ease and flexibility.

In the near future DT Workflow and DT Flexible Reports will allow Direct Tech, at the client's request, to transmit their list usage, merge/purge gross-to-net, and mail quantities electronically to brokers and managers using the brokerage community proposed EDI standard.

DT Flexible Reports demonstrates Direct Marketing Technology's absolute commitment to develop new ways to provide the most powerful and flexible processing services in the industry.



Government Plan

Continued from page 1

business by higher costs. Fewer catalogs mean fewer choices.

- Hardest hit would be the elderly, disabled, rural residents, working women and single parents

who's mail order shopping is a necessity.

Because this legislation has not yet been passed, there is still time to express your dissatisfaction. The legislation (S.1825) is sponsored by Senator Dale Bumpers (AR). Other supporters include Thad Cochran (MS), Kent Conrad (ND), Byron Dorgan (ND), Howell Heflin (AL), Dave Boren (OK), Bob Graham (FL), Diane Feinstein (CA), Daniel Inouye (HA), Carl Levin (MI), and Tom Harkin (IA).

Call or write your senator to let him/her know how you feel. I suggest you send the letter shown here to your senator or use it as a guideline for your own communications. Ask your senator to withdraw their support for this damaging piece of tax legislation.

In addition to thanking the over 40 catalogers who have already taken part in this campaign with a mailing to the constituents of the above senators, I wish to thank Direct Marketing Technology, Inc., Webcraft Technologies, Inc., Banta Corporation, R.R. Donnelly and NewType Technology, Inc. for their support and participation through their donation of preparation, typesetting, paper and printing for our mailing.

P.S. If another tax isn't enough to enlist your help, consider the fact that 37% of the revenues generated from this proposed bill will be given to only five states. Take action now! For a copy of the Letter To Your Senator, call Tresa Laferty, Direct Tech Marketing Coordinator at 708-517-5606.

Dear Senator,
I am opposed to S. 1825, a bill that would force me to calculate sales tax every time I make a catalog purchase, and force the catalogs I buy from to absorb the senseless cost of dealing with thousands of taxing jurisdictions.
The result would be that my catalog shopping would become cumbersome and more expensive. I would also have fewer choices if smaller catalog companies are squeezed out of business by higher prices and diminished sales. Catalog shopping is not just a convenience; IT IS A NECESSITY FOR THE ELDERLY, THE DISABLED, RURAL FAMILIES AND WORKING SINGLE PARENTS. They would be particularly hard-hit by this legislation.
The provisions in the bill to simplify the tax collection would require catalog companies to charge many of their customers more tax than they actually owe. That won't work! To me, this legislation is an unpublicized way of raising state taxes without voters having the opportunity to voice an opinion. This proposed bill is both unfair and inefficient. I don't see how "fairness" demands that I pay both shipping and handling charge, as well as a sales tax when I buy from out-of-state catalogs. The Supreme Court has ruled that having to collect different taxes for every state and local taxing entity is an undue burden on interstate commerce. Your consumers and constituents will be the real losers.
Catalog shopping is important to me. There are many specialty catalog items that I can't find in local stores, and often I don't have the time to go from store to store to find what I want. This legislation threatens the convenience, affordability and even the availability of my catalog shopping options. I hope that you will reconsider and not support this legislation. I would appreciate hearing your views on this bill.

Sincerely,

Address Element Correction Service

An Easy Decision To Save Postage

The USPS offers an Address Element Correction Service (AEC) to fix names and addresses that are non codable. These are addresses for which the coding software could not append a Carrier Route or Zip+4. Direct Tech has processed several of its clients through the AEC Service and results are impressive.

TABLE 1

ADDRESS ELEMENT CORRECTION SERVICE

	Original Non-Codeable Names Sent For AEC Service	100,000	100%
Addresses Corrected By AEC	56,946	56.9%	
Addresses Not Corrected By USPS	43,054	43.1%	
Types of Address Changes From AEC		% Codeable In Next Update	
Assigned Firm Zip+4	88	86.4%	
Assigned General Delivery Zip+4	4,004	98.9%	
Assigned High Rise Zip+4	6,455	94.8%	
Assigned PO Box Zip+4	5,495	98.3%	
Assigned Rural Zip+4	9,564	99.7%	
Assigned Street Zip+4	29,520	90.4%	
Assigned Military Zip Code	493	94.2%	
Assigned Unique Zip Code	1,327	100%	
Total Address Corrections By AEC	56,946		
Total Codeable In Next Update Using Available Address Standardization Software	53,576	53.6%	
	94.1%		

Normally, coding software will append a Carrier code 90% to 92% of a file. These coded names can qualify for the maximum presort discounts. The remaining 8% to 10% names must be mailed either in the Basic or Direct tiers and do not qualify for available barcode discounts since they do not contain a Zip+4 code. Now these non coded names can be sent to the USPS National Customer Support Center for possible corrections using the AEC Service.

Table 1 illustrates the results. For one Direct Tech client 56.9% of the

names returned from the AEC process contained address changes achieving Zip+4 and Carrier codes. Prior to posting these changes to the customer database, we attempted to Carrier code and append Zip+4s to the new address formats using the same software used prior to AEC. The standard software successfully coded 94.4% of the records previously corrected through AEC.

The cost of processing through AEC is \$15.00/M records passed. Table 2 illus-

trates that for the names corrected, you can save anywhere from 1.1¢ to 3.4¢ for Letters or 1.7¢ to 4.5¢ for Flats. If you mail the name 12 times per year, you could save as much as 54¢ per name in additional postage discounts. Using the estimate of 53.7% of the names corrected through AEC as the final quantity of names able to successfully Carrier code and possibly qualify in the future, you save \$29,028.00 in postage per year for your \$1,500 investment to correct 100,000 names – a 1935% return on your investment.

There are also some additional and more subtle benefits of AEC

- The percentage of names in the Carrier tier will be higher because now you have 5% more names eligible for Carrier qualification.
- The 5% AEC corrected addresses are now more deliverable and should yield higher response rates.
- For the remaining non codables (the records unable to be corrected through AEC), deliverability by the USPS is really suspect. Direct Tech is currently evaluating response rates and sales/M estimates to determine whether these names should be dropped from the circulation quantities.

• The automation and carrier subclasses in the USPS Reclassification proposal will probably require addresses that are 100% codable. So, some time in the future your non codable addresses may not even be acceptable for today's 3/5 presort; non codable addresses will be mailable only at a penalty rate.

The USPS should be commended for the development and execution of the Address Element Correction Service.

Submission of

names to the AEC is easy and the results are available within two to three weeks. The non codable addresses can be selected easily from any mail string or merge/purge net. If you would like the non codables from your customer file to be processed through AEC, please contact your Direct Tech Account Executive or Dan Minnick at 708/517-5683.



PC Direct Select

Continued from page 1

1. Query Method.

An easier, self-documenting and simpler method of querying data is being developed. Currently Direct Counts for list rental fulfillment is available.

2. Direct Select Count Engine.

Work continues to improve query speed and to develop the ability to handle more complex data structures.

3. Applications and Analysis.

The DT Solutions Manual "Applications and Analyses Using PC Direct Select" is now available. The manual contains PC



Direct Select reporting formats and documents how the reports can be run using a Playpen data set containing 50,000 records. Each PC Direct Select installation will receive the Playpen data set so they can replicate creating and

printing the report as shown in the Solutions Manual. The same query and reports can then be run on client data. The Solutions Manual is by nature evolutionary and provides a compendium of successful analysis and reporting formats used by PC Direct Select clients.

4. Data Preparation.

We continue to modify and simplify the mainframe software necessary to create the PC Direct Select data sets.

Distributing portions of the client's database to the Marketing Department's PC environment requires documentation, audits of individual variables, transfer to the DAT tape media, and distribution. Successful data distribution requires a fair amount of effort.

Our development plans for PC Direct Select for the next 18 months are in place. Current and future PC Direct Select users will be well rewarded.



TABLE 2 POSTAGE SAVINGS FROM AEC SERVICE

PER PIECE POSTAGE		
LETTERS	FLATS	
16.5¢	18.7¢	
13.1¢ — Save 3.4¢	14.2¢ — Save 4.5¢	
14.6¢ — Save 1.9¢	17.0¢ — Save 1.7¢	
15.4¢ — Save 1.1¢	17.0¢ — Save 1.7¢	

names to the AEC is easy and the results are available within two to three weeks. The non codable addresses can be selected easily from any mail string or merge/purge net. If you would like the non codables from your customer file to be processed through AEC, please contact your Direct Tech Account Executive or Dan Minnick at 708/517-5683.



TABLE 3

RETURN ON INVESTMENT FOR AEC PROCESSING

Investment: AEC Processing	100,000 @ \$15.00/M	\$ 1,500.00
Postage Savings Each Mailing:	53,756 @ 4.5¢*	\$ 2,419.02
Postage Annual Savings:	12 Mailings @ \$2,419.02 ea.	\$28,028.24
Annual Return On Investment:	29,028/\$1,500 =	1935%

*Per piece savings is estimated average of corrected and other pieces gaining CR or 3/5 Digit discounts.

Mailers Gear Up For Major Fall Promotions

The Direct Tech 1994 average list rental order — the quantity of names shipped — is up 31.5% over the same period in 1993, indicating aggressive circulation plans for the fall '94 season.

All orders from Direct Select were shipped within 48 hours of receipt with 15% of the orders choosing Zip selection tapes as part of their selection criteria.

A comparison of the first four months of 1993 and 1994 show:

Average Quantity of Names Shipped

% Increase	1993	1994
January +7.9%	34,396	37,115
February +22.0%	29,026	35,409
March +61.2%	25,688	41,405
April +42.0%	30,673	43,558
4 Month Average +31.5%	29,948	39,371
Rental Orders Shipped	4,233	5,107

SOURCE: DIRECT TECHNOLOGY

DT Workflow

Continued from page 3

Processing time is also saved by converting, Carrier coding, appending Zip+4, and processing names through NCOA* by list rather than on a project basis. Even with a merge/purge input of hundreds of lists in excess of 10 million names, net counts can be available within days after cut-off.

DT Workflow also identifies on-time and habitually late lists so you can monitor lists that may cause a delay in receiving merge/purge net counts.

Direct Tech and DT Workflow — another way to carefully monitor work-in-process.

*Direct Marketing Technology, Inc. is a non-exclusive licensee of the USPS National Change of Address File.



Tech Tips

■ "Must Add" allows clients to add last minute hotline names into the mailstring at the postal qualification stage. Must Add will check for duplicates before adding names.

• **Benefit:** By sorting these names into the main string, client's new to file buyers are mailed quicker and more frequently with no loss of postage discounts.

• **Benefit:** Client gets additional days to collect latest and greatest names for mailing.

■ Did you know that your Customer Service Representative can arrange to send merge reports via our Bulletin Board System so you can upload into Excel or Lotus to facilitate creation of back-end instructions?

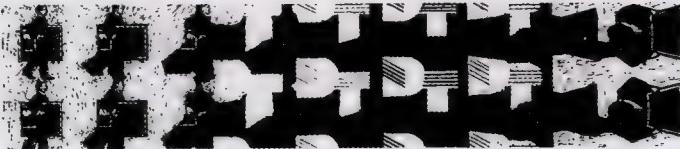
■ For fast response to your Direct Select query questions, fax the query to Craig Wirkus, our Help Desk Technician. With your query code in hand, Craig will be able to assist you quicker. Fax Craig at 708-517-5889, then call 708-517-5656 to discuss your questions.

■ Direct Select saves query results as comma-separated variable (.CSV) files. If you want to add math formulas to your .CSV file when in Excel, save the file as an .XLS file. If you try to save the results as a .CSV file, you will lose the formulas. This is true for any .CSV file in Excel, whether or not used with Direct Select.

■ If you're running several Windows programs at the same time in Direct Select, you can switch from one to another by holding down the Alt key, then tapping the Tab key. Each time you hit Tab while holding down Alt, the name of one of the programs you have running will appear on your screen. When you come to the program you want, release both keys.

New Hires at Direct Tech:

- **ADMINISTRATIVE SUPPORT:** Bridget Feltych
- **ANALYTICAL SERVICES:** Michael Kosiba, Daniel Shedroff
- **BUILDING SERVICES:** Dave Janusz
- **COMPUTER ROOM:** Violetta Gutowska, Sarah Yonan
- **Client Services:** Brian Costello, Heather Ennis, Christina Hernandez, Janet Janudra, Mary Keating, Mark Krieter, Karen Metcalf, Cynda Perun, Bradley Racza, Del Ryter, Vipon Sandhir, Elonna Weigel, Lee Wright
- **DATABASE:** James Addis, Andrea Bobo, Amber Bunza, Lisa Gorsage, Timothy Helton, Soo Lee, Monica Lerma, David Rottenberg, Masarrat Salahuddin, J.C. Wu
- **HUMAN RESOURCES:** Leah Cole
- **SALES:** Colleen Ehrhardt



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708 ▼ 517 ▼ 5600
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THE ART



AND SCIENCE

OF DIRECT

RESPONSE



DIRECT MARKETING
TECHNOLOGY OFFERS A
PARTNERSHIP IN A
CLIMATE OF EXCELLENCE
WHERE INNOVATION IS
EXPECTED, CREATIVITY
THRIVES AND RESULTS ARE
DELIVERED—DIRECT TECH
AND YOU—LEADERS IN
DIRECT RESPONSE
INFORMATION
MANAGEMENT.



We believe that effective direct response marketing is a balance between art and science. It's developing the technology and the capabilities to manage data. And it's the ability to creatively apply those products to help you manage your information more effectively.

Since 1981, Direct Marketing Technology (or Direct Tech, as our friends and partners call us) has led the industry in applying computer-based services and leading edge information management techniques for direct response marketers.

Building on the expertise and reputation established while serving catalog companies, we've continued expanding our capabilities, level of expertise and services to the retail, non-profit, high-tech, publishing, financial and consumer package goods markets, among others.

Our growth as a business, and industry-wide knowledge means added insight into understanding and shaping the future of effective direct response marketing.

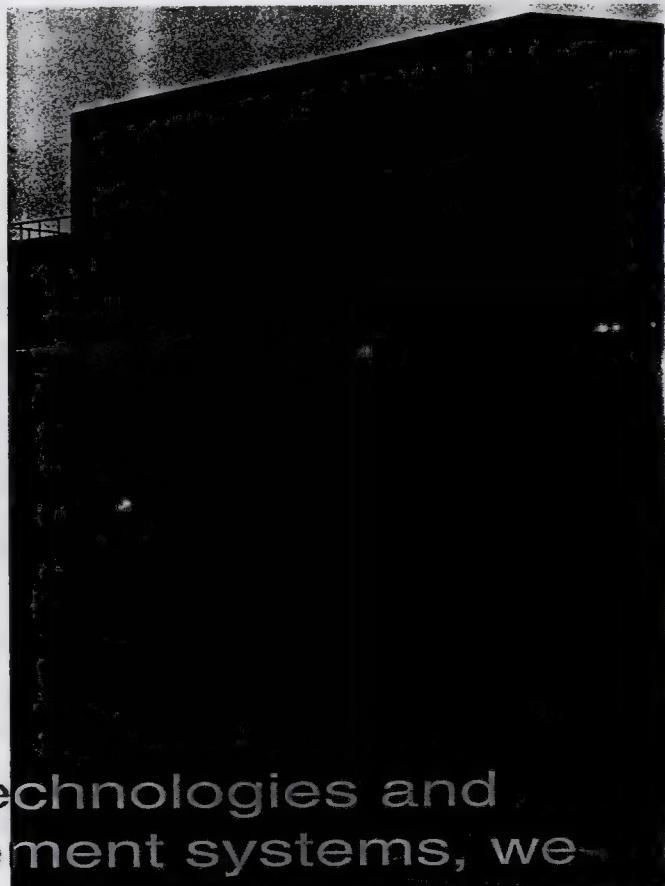
DIRECT TECHNOLOGY CREATIVE FROM API SCIENCE

How to be buttoned-down without wearing a tie.

The 106,000 sq. ft. corporate headquarters in Schaumburg, Illinois is one of two locations staffed by more than 300 direct response and data processing professionals working to provide you with exceptional products and services.

Look inside. You won't find many ties. Instead, you'll discover a creative, yet professional working environment that brings out the best in our people. We set a standard that challenges each of us to provide you with exactly what you need.

Let us show you how — by working together — jointly we can achieve your objectives and goals. Come and experience the art and science of direct response marketing.



Utilizing the latest technologies and information management systems, we provide fully-integrated services, that result in actionable, timely and service-committed solutions.

CH — SOLUTIONS LIED

We will advance direct marketing techniques. We will apply ourselves in a way that transcends expectations by bringing you integrated services and options that offer new controls, new dimensions, and greater expectations for the future.

ACCOMPLISHMENTS AND ACHIEVEMENTS

THE ROAD TO INTEGRATION

In the years since our founding, Direct Tech has evolved from a list processing service bureau into a technology-based information management company offering a fully integrated service line. Beginning with the creation of the proprietary merge/purge processing platform, our major milestones to integration include:

- 1981 – Founded on a Merge/Purge Processing Platform
1983 – Impact/Laser Print Facility established
1984 – Formation of the Analytical Services Group
1985 – Formation of the Database Services Group
1988 – Formation of the Information Services Group
1990 – Alliance for Lettershop Services established
1992 – Formation of R&D group dedicated to developing PC-based technology and applications

DIRECT MARKETING TECHNOLOGY

INVESTING IN OUR FUTURE TOGETHER

Direct Tech has consistently reinvested a substantial portion of profits into R&D for continual design, development and improvement of our information management resources; into education; into our personnel; and into software and hardware upgrades. The return on this investment has yielded added profits for our clients and growth for ourselves.

THE IMPORTANCE OF TEAMWORK

Teamwork is the cornerstone of quality performance. Direct Tech has structured each of our service groups into small teams supported by technical and marketing specialists to insure flexibility, adaptability and personal attention to detail.

AWARDS AND HONORS

- Direct Tech is a charter licensee of the USPS National Change of Address (NCOA*) file and the USPS Delivery Sequence File (DSF*)
- Direct Tech was chosen by INC. Magazine as the 16th "fastest growing privately held company in the USA"; ranked #1 in Illinois
- Direct Tech is active in a variety of industry associations, councils and foundations in both leadership and supporting role capacities

THE BUSINESS OF DIRECT RESPONSE

Today's competitive environment presents substantial challenges to your business.

They include the struggle for marketshare, increasing pressure on operating margin, and rapidly changing technology.

Competition today means choices.

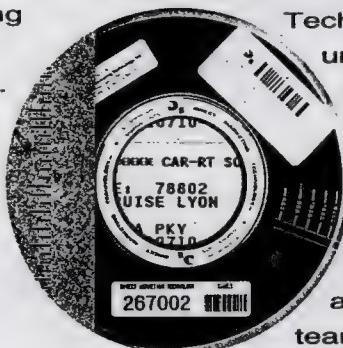
Choices in selecting where and how to spend your budget.

Choices in selecting a company which will not only provide you with the data processing services you require, but also give you added value in marketing savvy, detailed analysis, strategic direction and constructive ideas.

At Direct Tech, all this is available under one roof. So you gain the efficiencies of time — both delivery time and time spent educating your service provider — as well as efficiencies of cost; extensive research and development; quality work and responsiveness.

Everyone talks about partnerships. We make them happen.

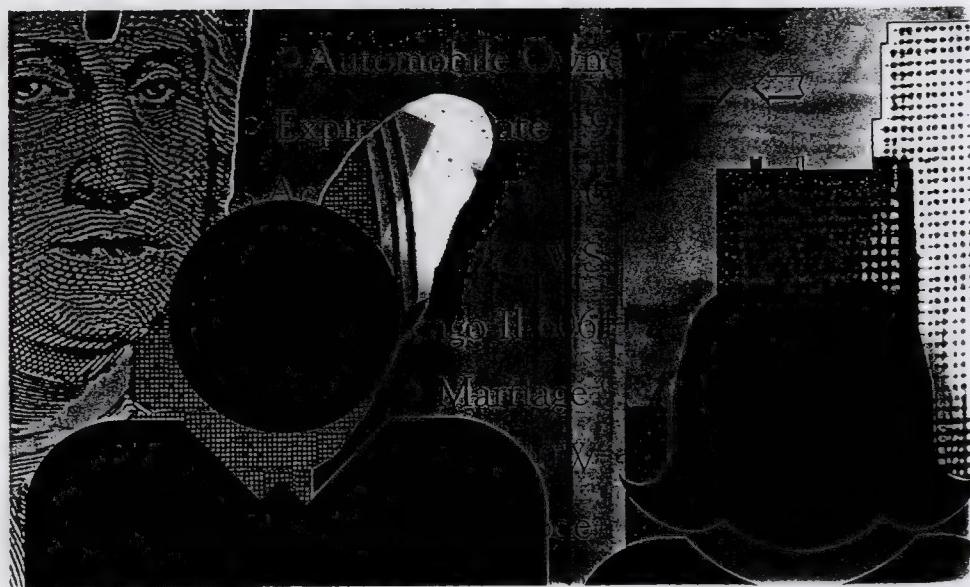
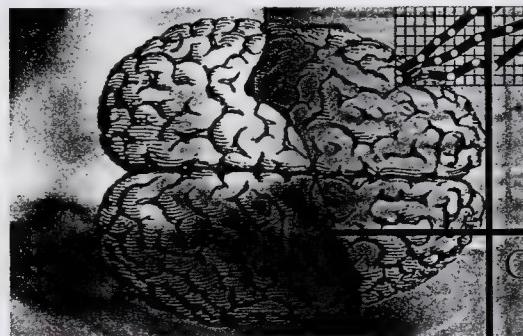
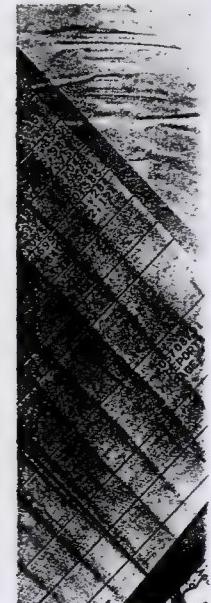
We understand the importance of your marketing and promotional efforts. We know that, by working together as a team, we will provide the solutions that yield *effective*, results-oriented communications and promotions.



Your Account Team at Direct

Tech works with you to understand your objectives, suggesting integrated solutions to maximize your time, budget and profit potential. Your Account Executive, and Client Service team, work with you to ensure that jobs are handled efficiently, on time and to your utmost satisfaction.

That means you'll get answers quickly...to monitor your job's progress at any point.



S S

We add a dab of art and a measure of science to your promotional efforts.

Applying our technology and the power of the computer you will glean actionable information producing bottom-line results.

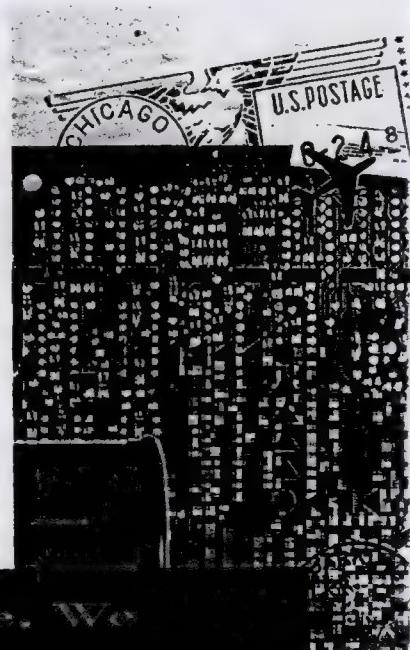
We work with you to determine a strategy utilizing integrated services to achieve greater marketing efficiencies.

■ **PROCESSING SERVICES** — provide you greater control and flexibility in managing information and supporting promotional efforts.

■ **ANALYTICAL SERVICES** — provide you the tools to plan strategy and control costs more effectively.

Simply stated, we offer you all the capabilities you'll need to process, maintain, analyze, enhance and manage your data.

Take a few minutes and learn more about what we have to offer. Learn how the art and science of direct response marketing can help you + effectively grow your business.

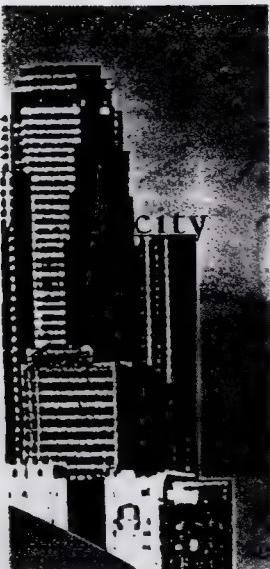


We will be pro-active. We speak a profit-improvement language, so we will identify and present opportunities that make sense for your business.

■ **DATABASE SERVICES** — provide you valuable customer information to help you market smarter.

■ **INFORMATION SERVICES** — provide you with a range of options to help you build your customer and prospect files.

■ **PRINTING SERVICES** — provide you with personalized, timely messages of consistent quality.



CHANGE OF ADDRESS

confidence levels

Bulk Rate

U.S. Postage

CHICAGO

U.S. POSTAGE

6-24-8

PRESORT

FIRST CLASS

POSTAGE

STAMP

4

flexibility

PROCESSING SERVICES

We offer a variety of Processing Services designed to help you be more selective in targeting customers. Services that offer greater versatility and ease-of-use. And, because of an ever-changing marketplace, services that can accommodate an unlimited array of marketing scenarios.

Versatile and Easy-to-Use Processing Services

As part of a total processing package we offer flexible merge/purge, address hygiene and postal optimization services.

- **Merge/Purge — Consumer and Business-to-Business** — tailor our merge/purge logic to meet the needs of each promotional objective by choosing your own de-duplication criteria.

- **National Change of Address (NCOA) and NCOA Nixie** — used prior to merge/purge to update addresses and identify additional duplicates.

FIRST, A WORD ON SECURITY

All facilities are strictly monitored to ensure security of data. The computer facility can be accessed only by authorized operations and senior management personnel. Access codes, time access restrictions, camera monitoring, card access systems and physical plant protection safeguard your data and prevent access or tampering.

Off-site data storage for disaster recovery is provided and we have more than 99% equipment redundancy through vendor maintenance agreements.

information, identifying residential and business locations to further insure delivery.

- **Carrier Route Coding Zip +4 & Zip Code Correction** — utilized in tandem, CASS Certified processing of addresses yield the highest level of deliverability.
- **Address Standardization** — uniform preparation of address information assists in duplicate identification.
- **Postal Optimization** — maximize discounts with qualification routines that suppress, shift or add names among mail tiers to upgrade qualification levels.

LOGIC, LIST AND LEVERAGE

- Customize your own de-duping criteria with Direct Tech's flexible merge/purge processing system choosing options applied on a list-by-list, family or allocation group basis.
- Ensure efficient deliverability of your mailings and increase marketing performance with Direct Tech's complete line of address hygiene services.

- Utilize the Circulation Optimizer from Direct Tech to

ANALYTICAL SERVICES

Your customer data and past promotion history contain marketing information, that, when analyzed effectively yields valuable insight. Insight producing an edge that will provide you measurable and actionable information to execute successful programs.

That's why we offer a variety of tools to help you turn information into knowledge. And knowledge into profits. These tools will help you plan circulation strategies, control costs and target buying groups more efficiently.

Unlike other analytical systems based on a single statistical technique, we use both commercial and proprietary software products for modeling and market analysis to identify pockets of profitability and pursue targets with greater accuracy.

We will work with you to create actionable data analysis structures delivering powerful information.

Our services include:

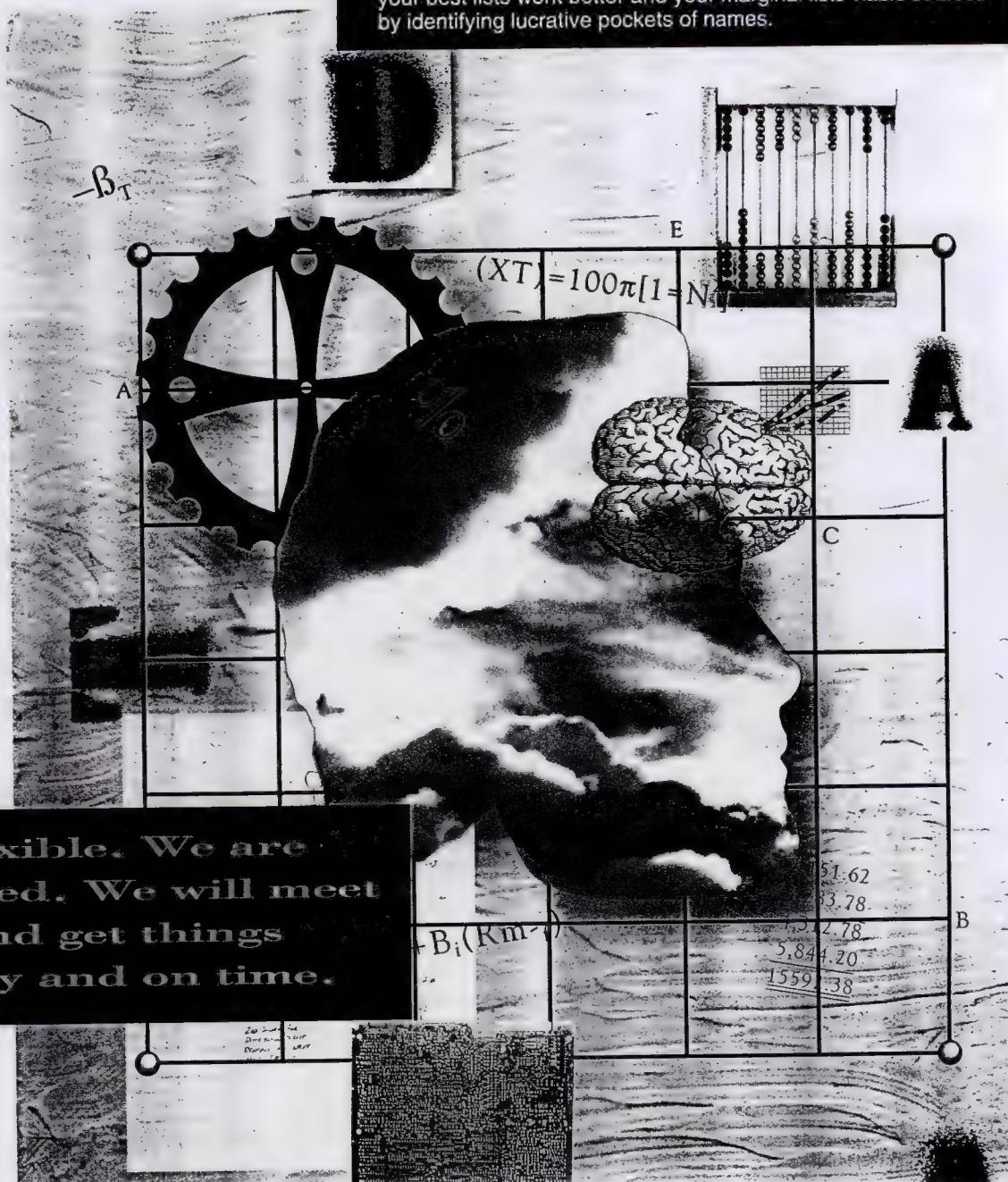
- **Housefile Scoring Models** — to maximize housefile performance.

- **Geo-demographic Scoring Models** — to identify a lucrative prospecting universe.
- **Response Analysis Programs** — to refine your promotional strategy.
- **Circulation Optimizer** — to monitor and control postal costs.

- **Trading Area Models (site radius)** — to avoid costly mistakes by eliminating non-productive locations from mail strategies.

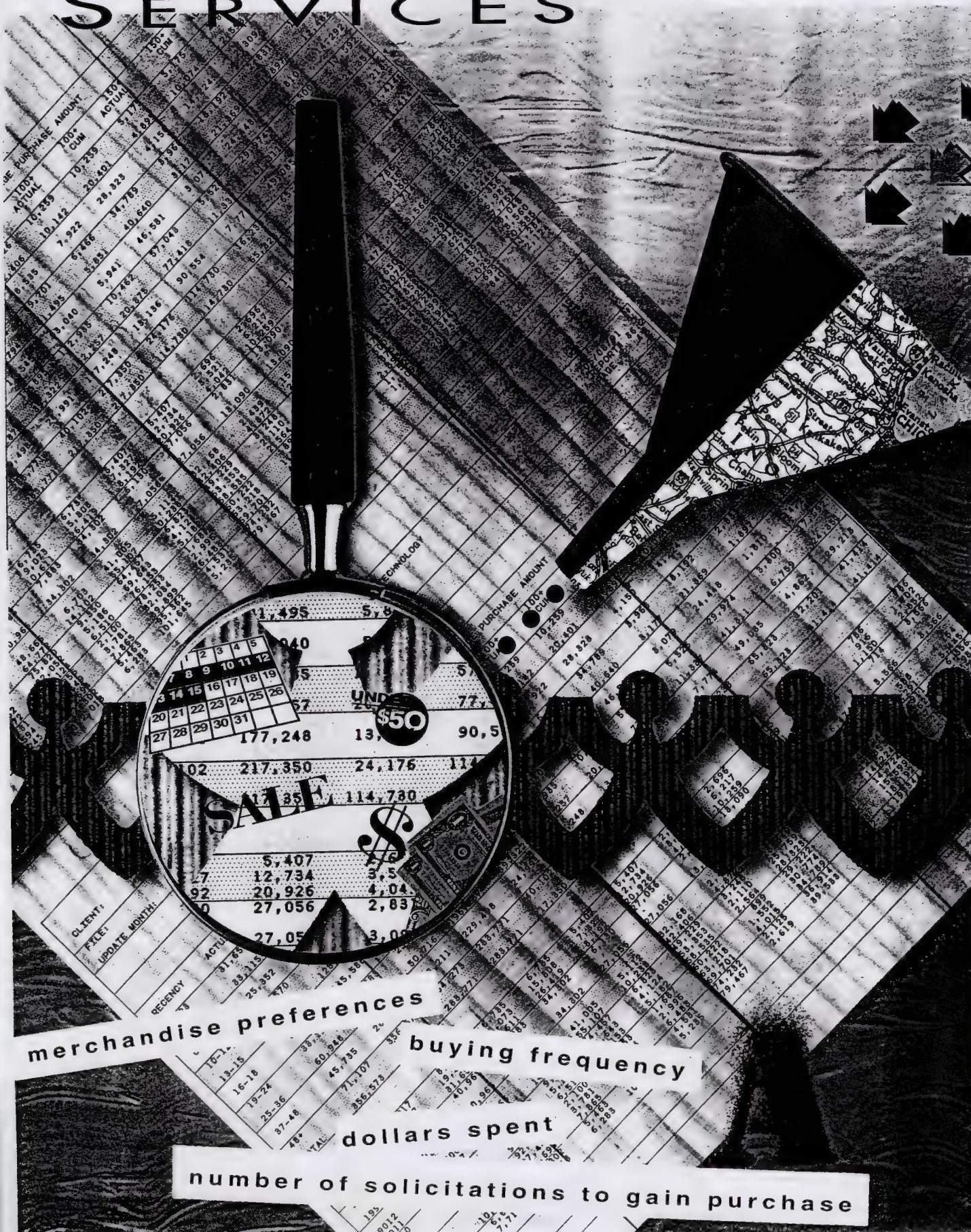
SCORING, SEGMENTATION AND SELECTION...

- Housefile models utilize individual level performance history to create a score which enables easy simulation of alternate segmentation strategies and confident application to future promotions.
- Fine-tune circulation with Geo-demographic models analyzing predicted performance of rental list segments. Make your best lists work better and your marginal lists viable sources by identifying lucrative pockets of names.



We will be flexible. We are results oriented. We will meet your needs and get things done correctly and on time.

DATABASE SERVICES



Adatabase. How do you approach it? How do you look at it? What do you do with it?

The success of Database Marketing depends on a strong partner. A partner that can help you create and structure a database that will address strategic planning and goal-setting. A partner who understands that a database which captures and yields actionable information delivers a lifetime of value to your business.

- Communicate the "right" message to the "right" individual to increase customer loyalty and improve your sales conversion ratio.
- Create cross-sell and up-sell opportunities.
- Maximize rental revenue through timely fulfillment of order.
- Analyze, plan and manage information from desktop via PC-Direct Select.

DEFINITION, DESKTOP AND DELIVERY

■ Direct Tech supports relational, sequential and hybrid database platforms. We will work with you to identify the most appropriate system for your particular application.

■ Supporting your database is Direct Select, a proprietary on-line information management environment. With it, you can manage data storage and retrieval facilitating counts, list rental fulfillment, data overlays, profiling, response analysis programs and segmentation.

A database is only a tool.
When used effectively it helps
you market your products or
services more competitively.
And more profitably.

Database Services from Direct Tech will help you:

- Conduct a thorough needs analysis addressing current and future requirements.
- Organize and manage data to keep your information asset current, clean, effective, and profitable.
- Grow your business through existing customers, and new markets...and help build new relationships at lower acquisition cost.
- Identify the most profitable and least profitable customer segments — and determine why.



We will become
your partner. Together we will
learn, advise and share our
expertise and experience.

Direct Tech Information Services offer powerful tools that will help you grow your business. Tools that will capture information for converting "interested" inquiries into customers and increased profitability.

Today's consumers are more selective when responding to offers. To succeed in this era of rising costs you need to re-examine traditional methods to determine what other options can help you.

The I.Q. National Consumer Database—a single comprehensive source of over 147 million U.S. consumers acquired from public and private sources—offers a unique way to help build, expand or enhance your direct marketing efforts. Demographic, behavior and lifestyle characteristics along with geographic data and a complement of census data are available to you.

The integrated service options, singly or together, give you a better understanding of the who, where, when and how of consumer behavior.

■ **Profile Analysis** — A road map to understand your customer base. Timeline, continuity and profitability analyzers highlight promotional opportunities and accent attributes for future list selection and segmentation.

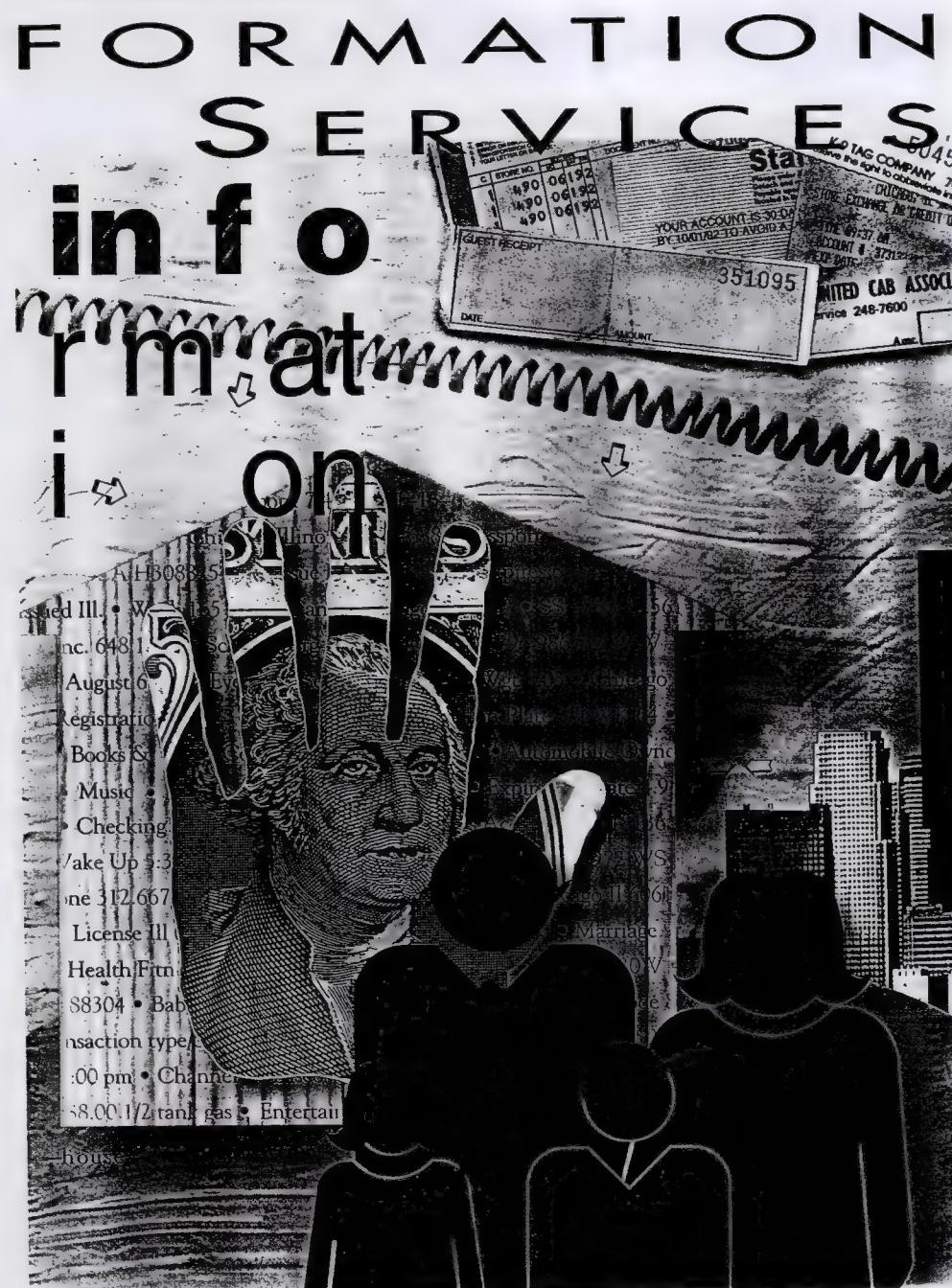
■ **Targeted Lists** — Develop highly targeted, responsive promotional lists.

■ **Data Overlays** — screens, appends and enhancements—reveal your hidden market potential.

- Data Screens selectively segment files lacking meaningful data, eliminating unqualified candidates.
- Data Appends uncover prospects or refine promotional lists. Audience definition yields decreased dollar waste and increased investment return.
- Enhanced List Rental Fulfillment, rental properties enhanced with popular characteristics increase selectivity of the rental property and guide the formation of permanent data append decisions.

■ **Reverse Directory** — Input area code and telephone number to return residence identification provides direct marketers with still another method of developing a custom database.

■ **Tele-Append** — Telemarketing, alone or in combination with direct mail, presents a new dimension to relationship building unavailable through traditional communications.



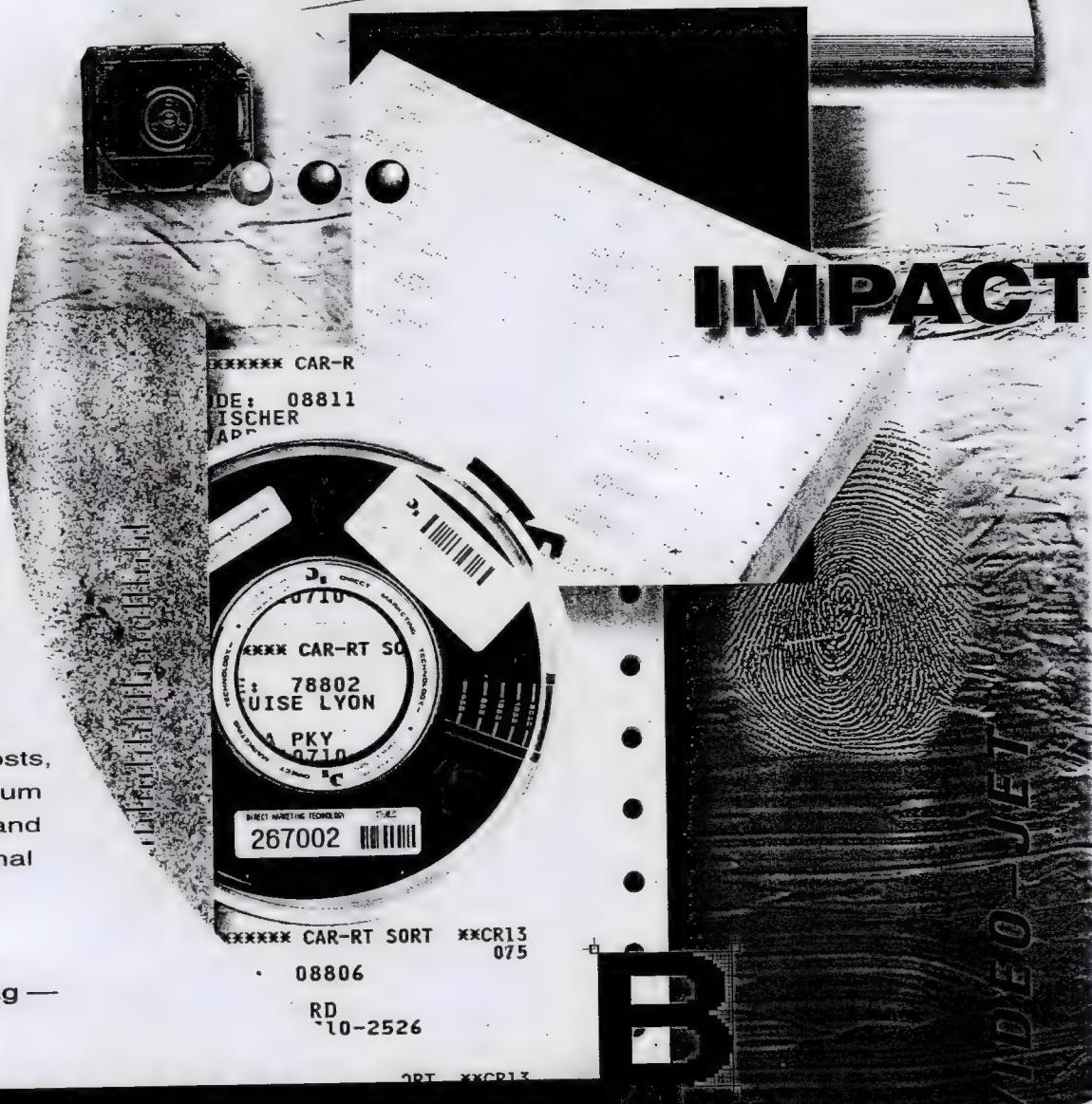
LASER

Direct Tech's mailing services department offers extensive print and personalization capabilities. Expect timely, consistent quality and accuracy — from start to finish. Regardless of the number or types of personalization formats. Regardless of your print or finishing needs.

Our primary print facility is located in Bensenville, Illinois, minutes from the Bulk Mail Center (BMC) and O'Hare International Airport to further insure fewer concerns, fewer costs, less time lost and maximum efficiency in processing and delivering your promotional communications.

Services include:

- Impact & Laser Printing — content and format personalization.



We will be faithful. You can trust us to maintain the confidentiality of your business. You expect it from us. We demand it internally, because you are a valued and important partner.

- Ink-Jet Formatting — for messages that sell.
- Barcoding — maximize postal discounts and delivery time through automation.
- Lettershop Coordination — because it makes sense to finish where you print.

PRINTING SERVICES

SPEND YOUR TIME MANAGING YOUR BUSINESS, NOT YOUR SERVICE PROVIDER

When you choose Direct Tech, you are choosing professionals who are committed to your success. We will communicate with you promptly and clearly. We will suggest alternative ways we can make a positive impact on your marketing program. And, we will be responsive to the special needs or circumstances which effect you or your industry.

Whether you need processing, analysis, database, information or printing services, Direct Tech, through the art and science of direct response, will provide you with quality services.

Before you assign your next project, let us review your requirements. You can fax us at 1-708-517-5609 or call us at 1-708-517-5600.

Let us prove that Direct Tech is your partner for success.

Direct Tech — Marketing Service Summary

Processing Services

- Merge/Purge (consumer and business-to-business)
- Change of Address (NCOA, DT-COA, Nixie)
- Delivery Sequence File (DSF)
- Postal Presort and Optimization
- Ink-Jet Formatting

Analytical Services

- Custom Modeling
- Response Analysis Programs
- Profiling and Market Analysis
- Circulation Optimizer

Database Services

- Relational Database
- List Maintenance
- Database Accessing and Analysis Tools
- List Rental Fulfillment and Enhancement

Information Services

- Targeted Lists
- Data Overlay
- Telephone and Reverse Phone Append

Printing Services

- Impact
- Laser
- Barcoding
- Lettershop Coordination



LIST WATCH

DMers say the future looks bright

NEW YORK CITY—Direct marketers are optimistic about 1992, according to The Kleid Co.'s second annual survey of mailers. The list management and brokerage firm mailed the "1992—How Does It Look To You?" questionnaire, covering nine categories, to 3,195 mailers. Kleid received a 9.4 percent response. Among the survey's findings:

- Nearly 45 percent of respondents said they plan to increase their mail volume this year, with about 26 percent saying they wouldn't, and nearly 30 percent stating that their mail volume would remain the same. The economic environment and increased mailing costs were cited as reasons for decreasing mail volume in 1992. Catalogers, representing 21.9 percent of the respondents, were right in line with the overall results, with 44.3 percent stating they would increase mail volume.

- More than 50 percent of the respondents said they would increase the number of mailings to their house files in 1992 compared with 1991; nearly 42 percent said these mailings would remain the same; only about 8 percent planned to decrease mailings to their house file. In addition, nearly 38 percent said they plan to mail more to outside lists compared with 1991; 40 percent expect to mail the same amount to outside lists; and a little more than 22 percent plan on decreasing mailings to outside lists.

- 81.2 percent of the respondents indicated a use of sources other than direct mail to generate new names in 1991, down from 86 percent in 1990. The top three media for generating new names were spacc advertising (22.8 percent), telemarketing (16.5 percent) and package inserts (15.9 percent).—PAS

Forging a partnership

A good relationship with your service bureau can save you money and trouble

By Harry Cheyan
Associate Editor

PORTLAND, OR—The service bureau grinch struck Norm Thompson late last year. Because the apparel and gift cataloger had used the same computer house with good results for five years, circulation director Patty Davis was confident about the merge/purge for the company's holiday mailing. But a computer programming error produced severe mismatching in merge/purge. "It became garbage in, garbage out. It almost ruined our Christmas mailing," she says.

The problems at Norm Thompson are not unique; many mailers can tell service bureau horror stories. But for every mailer that's had a bad experience, dozens of catalogers can talk about error-free computer runs and bureau-generated ideas that saved their mailings from going awry. A service bureau can be a mailer's best friend, finding ways to make lists work. And when mailers and service bureaus work well together, they can become partners, with each party looking for efficient ways to process a mailing and save money.

Finding the right bureau

Western-wear catalog Sheplers had some problems with its service bureau, too. Almost every time it updated the cataloger's house file, marketing director Stan Gall found errors in the reports generated during the update. The errors taught him a basic lesson about service bureaus: Find one

that can do the basics right. "Sure we love additional services, but remember, we're looking to maintain a file or do a merge/purge," he says. Because of the problems, both Norm Thompson and Sheplers have changed service bureaus.

Some other catalogers want

the cataloger how to mail more prospects at minimal cost, Davis says. Using add-a-name and other postal optimization techniques on an 800,000-piece April mailing, Norm Thompson was able to drop an additional 13,500 books at one-third of the normal in-the-mail costs, she says.

As for Direct Tech, it profits from the larger mailing. It loses revenue, however, by performing a universal merge of Norm Thompson's five catalog files. But the service bureau believes any short-term profit sacrifice is worth it. "We want to work as partners with clients to help them grow. That translates into the growth of our business," says marketing vice president Jennifer MacLean.

Group executive Phil Bartos of service bureau Axiom shares MacLean's view. "Catalogers expect that the processor will understand the dynamics of the business and provide the same consultation as a [list] broker," he says. As bureaus take the time to learn about catalogers, Bartos thinks more partnerships will develop.

Cataloger Rivertown Trading Co. appears well on its way to developing such a partnership. Last July, at the behest of a list broker and with the help of a service bureau, the company began running combined merges of its Signals and Wireless mailings. Circulation manager Nancy Selz credits the broker and the bureau with helping Rivertown identify the best names to mail and saving it money on computer costs. □



Norm Thompson switched service bureaus last year after a computer error fouled up its merge/purge.

more than the basics, however. Service bureaus "should be able to give me new ideas and ways of manipulating my file and finding new names," says Norm Thompson's Davis. She ultimately settled on Schaumburg, IL-based Direct Marketing Technology.

Direct Tech has already shown

Magazines give catalogers a break

PRINCETON, NJ—Most magazine lists cost less to rent than catalog lists, so few publishers have given catalogers any discounts. Even magazine publishers with pricey lists have refused to give mailers a break. But now *Fortune* and *Architectural Digest*, two of the most expensive magazine lists on the market, are breaking with tradition.

Fortune has cut its rate \$15/M for catalogers to \$85/M; *Architectural Digest* is charging catalogers its nor-

mal rate of \$95/M, but is throwing in two free selects. Although the price breaks are not as large as the \$30/M or even \$40/M discounts that magazine publishers often get when they rent catalog lists, the offers are still a way to give "catalogers an incentive to work the lists," says Fran Green of American List Counsel, manager of both lists. Green says the magazine publishers think the discounts could help them boost their list rental revenues.

For some catalogers, discounts on rentals could help offset some of the pessimism many harbor about the effectiveness of magazine lists. "Publications don't normally work for me, so you have to give me a good rate," says Sonja Scoverson, circulation director of The Swiss Colony. But, she says, even discounted lists aren't necessarily a boon if a mailer pays high selection charges and ends up with a small pool of names to mail. □

W-Sonoma slashes postage

SAN FRANCISCO — Through a variety of creative mailing techniques, all designed to increase the number of catalogs mailed via carrier route presort, Williams-Sonoma has been able to reduce the impact of the February postal rate hike from 41 percent to around 25 percent.

Previously, Williams-Sonoma had been qualifying for carrier route presort only a little more than 60 percent of its five catalogs, which include the namesake flagship catalog, Gardener's Eden, Chambers, Hold Everything and Pottery Barn. But by co-mailing the Gardener's Eden book with Chambers, and Pottery Barn with Hold Everything (the main Williams-Sonoma catalog is currently mailed without partner), and by juggling some mailings, the firm was able to increase its total carrier-route-qualified mailings to a percentage in the high 80s and, in some cases, in the 90s, says Pat Connolly, the firm's vice president of mail order.

"It's easier to co-mail when you're on both ends," Connolly says. "It requires much more work when

you co-mail your book with another company's book."

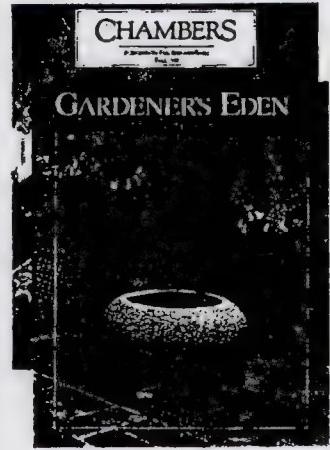
Williams-Sonoma enjoys the control it gets by co-mailing internally. "For example, when we co-mail with ourselves," Connolly says, "we don't just put two catalogs together in one string and mail them, because we don't want people getting two different books from us on the same day. We're not sure if it would hurt sales for the two different catalogs, but we just don't do it—it's nice to have that luxury."

The firm uses computer service bureau Direct Marketing Technology's Circulation Optimizer to plan its mailings for carrier-route discounts. Connolly describes how the system works: When Williams-Sonoma has mailings going out in consecutive months, certain prospects or buyers slated to receive, for example, the Williams-Sonoma catalog in January, may receive their books in February's mailing instead. This happens when there are, say, seven names in a carrier route group for the February mailing and 15 names in the carrier route group for

the January mailing. "We'll move three names from the first mailing to the second so the second group can now be carrier-route-qualified," Connolly says.

Williams-Sonoma seizes other opportunities with names not originally targeted for both mailings. When certain buyers are slated to receive consecutive catalogs while others will only receive one, as described in the example, the cataloger picks out those names slated for only the January issue and adds enough of them to the February group to qualify that group for carrier route presort rates as well.

The Circulation Optimizer incorporates add-a-name, drop-a-name, shift-a-name and co-mail strategies, among others, into one system, according to Tom Newkirk, chairman of the board for Direct Marketing Technology (DMT). These, he says, are com-



Co-mailing its Chambers and Gardener's Eden catalogs is one of several ways Williams-Sonoma has been able to build up its carrier-route-qualified mailings.

bined with an analytical tool DMT uses to incorporate zip code scoring models that look beyond postal optimization. "It also adds the most profitable names or drops the least profitable ones by using an analytical predictor," he says.—PM

J. Crew, CW score high in Ontario

OTTAWA, ONTARIO — In the U.S. catalog business, there seems to be an ongoing debate about doing business outside of the country. The pros are many: untapped markets, higher average orders, additional revenues and increased recognition. But the cons are many, too: complex customs regulations, list restrictions, language barriers and the fact that catalogers have their hands full at home.

After weighing both sides of the issue, two key catalog players, J. Crew and Clifford & Wills, recently decided to venture north of the border. In April, both catalogers, which are owned by the same firm, conducted test mailings of 75,000 and 60,000 catalogs, respectively, throughout Ontario, Canada. Both books experienced similarly successful results, and both are conducting additional tests this fall.

J. Crew began looking into Canada a little more than a year ago, after the company hired Adrienne Perkov as director of new marketing development. At that time, "we decided to research [Canada's] potential," Perkov says. "Once we felt

pretty certain that we had a good opportunity there, we started planning and hired a consultant to help us coordinate suppliers."

The leisure apparel cataloger



By "Canadianizing" its catalog, J. Crew was able to gain the trust of a new breed of customers who were formerly unfamiliar with the cataloger.

"did well enough to go back again," Perkov says. Although response rates were slightly lower than those in the U.S., "that's what people told us we'd experience," she says. Average orders, however, were actually 10 to 20 percent higher.

Clifford & Wills did even better. While average orders were "significantly better" than in the U.S., according to director of marketing Donna Bhatia, Canadian response rates were also much better for the upscale women's careerwear cataloger. At press time, Clifford & Wills was planning a second mailing, of about 120,000, in September.

The how-tos

The catalogers chose to request payment from Canadian customers in American dollars, rather than dealing with fluctuating exchange rates. J. Crew produced a Canadian edition of its catalog by devoting the inside front cover of the book to explaining payment of taxes and duty, and the Goods and Services Tax (GST), as well as customs, returns and special discounts. Clifford & Wills, which

bound a special order form into its regular American catalog, explained similar details in a Q&A format on the order form.

Both catalogers hired Ottawa-based DPI Associates to help educate telemarketers about Canada. "We taught their order-takers various things about Canada—simple things—but the kinds of things that make customers feel like the order-takers actually know who they are," says DPI president Andrew Cohen.

To get their books in the right hands, the catalogers rented mainly lists of Canadian magazine subscribers, then had their lists merge/purged by service bureaus in Canada. "The list situation up there is difficult," J. Crew's Perkov says. "There aren't enough lists in Canada to grow a business. There just aren't that many mail order companies—only about 120 direct response books are published in Canada, compared with 8,000 here."

Although Clifford & Wills' Bhatia encountered a similar struggle in obtaining names, she also sees a significant benefit in Perkov's observation. "Because direct mail isn't as big a force in Canada," Bhatia says, "there are fewer catalogs in mailboxes, and that gives us a competitive edge." □

Lotus forced to cancel new software program

by Cyndee Miller
Staff writer

Widespread complaints about invasion of privacy have forced Lotus Development Corp. to dump its MarketPlace: Household software.

Lotus, based in Cambridge, Mass., and Equifax Inc., an Atlanta credit-reporting agency that supplied consumer information for the program, announced the decision Jan. 23 after weighing strong opposition to the software from the American Civil Liberties Union and Computer Professionals for Social Responsibility.

"It was a combination of our concern with the public's concern over privacy issues and the substantial costs that would be incurred to address those concerns," said Pamela Cay, spokeswoman for Lotus.

Lotus and Equifax previously contended they had shown their commitment to protecting consumers' privacy by not including telephone numbers, individual credit data, an individ-

ual's purchase history, actual income, or actual age.

Lotus also discontinued its MarketPlace: Business, which contained the names, addresses, phone numbers, and marketing information for 7 million U.S. businesses.

That software was released last October.

Cay said the initial idea was to sell the two software programs as a package, with MarketPlace: Household carrying 50%-60% of the weight. Without the household portion, she said, MarketPlace: Business wasn't "viable."

Lotus had scheduled MarketPlace: Household for an early 1991 release. The set of 11 data bases were to include names, addresses, age ranges, genders, marital status, dwelling types, neighborhood income ranges, and lifestyles for 80 million U.S. households.

"We think they did the right thing," said Marc Rotenberg, Washington director of Computer Professionals for Social Responsibility.

Focus on Data-base marketing

The nonprofit group opposed MarketPlace: Household, he said, because it "contained a great deal of information that had been obtained without the consent of the people that were listed."

The ACLU also raised legal and ethical questions about the software.

Lotus and Equifax, though convinced they had built in sufficient privacy safeguards, couldn't ignore "the volume and tenor of concerns that were being raised by consumers all over the U.S.," Lotus president Jim Manzi said.

He cited the expense of deleting

the names of consumers who object to being listed in the data base—Lotus had received 30,000 such complaints—and of "a prolonged battle over consumer privacy."

In addition, Lotus worried about the impact that adverse publicity about MarketPlace: Household might have on the company's other business software products and services.

Just how big of a problem the privacy issue becomes in the future depends on the level of the information provided to data-base marketers, how aware consumers become about the data being provided about them, and

the behavior of the industry itself, said James Minno, a marketing research consultant in Rochester, N.Y.

From a marketing standpoint, Minno said, the finer the information, the better it is to work with—and a block group isn't fine enough. But providers want to "keep one level up because they don't want to be held accountable for any breach of privacy."

As the true capabilities of some of the data-base marketing packages come out, however, there could be more controversy, Minno said. For example, most data bases sold by the companies monitoring the banking industry theoretically should allow users access only down to the block or Zip-code level, he said, but savvy marketers can get right down to income levels of households and even individuals. ■

—The Associated Press contributed to this story.

Many software programs available, but customizing often yields best results

by Cyndee Miller
Staff writer

Although plenty of computerized data-base marketing packages are available, marketers can't always "just add water and mix."

In general, data-base software is effective, but "a lot of it involves how much customization the end user puts into the system," said James Minno, a marketing research consultant in Rochester, N.Y.

Although the packages can be used straight off the shelf, Minno said, there's "quite a bit" of customization going on. Some companies are even using packages that aren't designed for data-base marketing because they can provide more flexibility.

But the mere mention of customization can send chills down users' backs. They think they bought the package to do the job, and now they have to sink more money into it.

"They envision a whole room of programmers working three years for this customization," he said, but that's not the case. The tools are there for "nonprogramming personnel" to pull it off.

Minno said there's a lot of overlap in the packages available. To find one that suits their particular needs, compa-

nies must define their goals, identify what types of data and reports they need and what form the data take as they come into the system, create profiles of the users, and define other data they must access.

Clarias Corp., Alexandria, Va., had a data-base marketing system that worked well for ad agencies and newspapers, but decided they needed systems to call their very own.

The company is putting the finishing touches on Compass/Agency, designed to be used by ad agencies for segmentation, demographic information, and mapping, said Sandra Watson, product manager. Compass/Agency also will include Arbitron ratings and data from Simmons Market Research Bureau and Mediemark on product usage.

Clarias already has sold the system to several ad agencies, including Saatchi & Saatchi.

Newspapers also are interested in data-base marketing. In fact, it's "probably one of the top five topics in the newspaper industry right now," according to Mark Capadilini, vice president of media at Clarias.

Although a number of newspapers were using the standard Compass system, the recently introduced Compass Newspaper helps users save time because the features they use frequently

are already formatted, he said. The system contains more than 200 preformatted reports and maps. Users can also import data on subscribers, readership, or advertisers and display them as reports and maps, or export data into other standard software packages, such as spreadsheets, word processing, and graphics applications.

Twenty-five newspapers are using Compass/Newspaper, including the New York Daily News and the Los Angeles Times.

Another area of business, specialty retailing, has done perfectly well without much consumer marketing at all and can be a hard sell for anything to do with data-base marketing, said Thomas Noether, president of Research Consumer Technology (RCT), East Windsor, Conn.

"For years, they've relied on store service, location, and merchandise, but that doesn't work anymore," he said.

To help them along the path to data-base marketing, RCT and Direct Marketing Technology Inc. recently introduced REACT, a computerized tracking system that allows retailers to target customers by taste, as well as age, income, and Zip code.

The system is being used by U.S. Shoe Corp.'s 1,300 Petite Squishee, Caren Charles, August Max, and Casual Corner stores.

For an annual cost of about 40¢ per customer, REACT lets retailers build and maintain a file of more than 100 customer attributes including distance from the store, average number of transactions, product classes purchased, size of clothing, and whether items are bought only at sale price.

To use REACT, cashiers punch in a customer's home phone number or a previously assigned consumer number after each transaction. The information is transferred to the customer file, which is updated monthly.

Privacy hasn't become an issue, Noether said, because consumers don't mind giving the information as long as it's being used to provide an extra service.

REACT helps retailers target consumers who are most likely to act on the information, Noether said. If, for example, Casual Corner sent thank-you letters to 100,000 people,

► see Results on page 22

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To register for an AMA international, divisional, or Academy (not chapter) conference, send a check made out to the name of that conference to: Conferences, American Marketing Association, Registrar, Suite 200, 250 S. Wacker Dr., Chicago, IL 60606-5819. To qualify for early reduced registration fees, payment must be received three weeks prior to the conference's opening day. Fees are tentative and subject to change.

Refunds

Full conference registrations will be refunded up to three weeks before the conference's opening day. After that, a \$25 per program fee will be deducted. If requested, refunds will be granted, less the fee, up to 30 days after the event. For Academy for Health Services Marketing conferences, consult the conference brochure.

Program chairpeople

Those responsible for programming of national, divisional, and Academy conferences are listed under the program for a conference is completed. Those interested in that aspect should write to them.

AMA international, divisional, and Academy conferences

Feb. 20-22—New York

New Products Conference

Sponsored by the AMA's Marketing & Sales Management Division and the AMA's New York Chapter in the Marriott Marquis. Theme: "Innovation in America." Fees: AMA members \$295 early, \$325 late; nonmembers \$375 (conference only); \$425 (conference plus one-year AMA membership); AMA student members \$95.

Feb. 23-26—Orlando, Fla.

AMA's 1991 Winter Marketing Educators' Conference

Sponsored by the AMA's Marketing Edu-

Results

continued from page 11

REACT could define the segments that responded most positively.

REACT also offers retailers easy access to the information. If the marketing director from Casual Corner wants to know which of his customers buy dresses, suits, and blazers only; spent \$5,500 or more in the past year; live in an upper-income Zip code; are between the ages of 35 and 40; and buy only at regular price, Noether said he could have that information in about an hour.

"[A retailer] can have a file of its 3 million customers and records of everything they've bought, but if it takes a week and a thousand dollars to get in to the information, they don't have a system," he said.

Users of data-base software packages have to adapt the information to their organization's culture, said Jerry Clapp, executive vice president of Market Metrics, Lancaster, Penn., which markets Supermarket Solutions.

Used by packaged-goods companies and retailers, Supermarket Solutions is designed to determine the sales potential of a product by matching its target market to the shopper demographics of each store.

But even though Supermarket Solu-

tion Division in the Grosvenor Resort. Theme: "New Directions for Research in Marketing: Contemporary and Interdisciplinary Perspectives." Fees: AMA members \$165 early, \$20 late; nonmembers \$265 (conference only), \$295 (conference plus one-year AMA membership, preregistration only); AMA student members \$60.

March 24-27—Las Vegas, Nev.

11th Annual Symposium on Healthcare Marketing Sponsored by the AMA's Academy for Health Services Marketing at the Minge Hotel. Theme: "Practical P's for the '90s: Profitable-Persuasive-Proven-Progressive." Fees: AMA members \$555 early, \$595 late; nonmembers \$655 (conference only), \$760 (conference plus one-year AMA/AHSM membership, preregistration only); AMA student members \$150.

April 7-9—Washington, D.C.

Customer Satisfaction and Quality Measurement Conference Sponsored by the AMA's Marketing Research Division and American Society for Quality Control at the Grand Hyatt Washington Hotel. Cochairpersons: Peter Garcia, Manager, Customer Satisfaction, Xerox Corp., P.O. Box 1600, 800 Long Ridge Rd., Stamford, CT 06904; and Debra A. Owens, Director, Corporate Quality Strategy and Planning, Baxter Healthcare Corp., One Baxter Pkwy., Deerfield, IL 60015. Fees: \$595 early, \$695 late.

April 7-12—Tempe, Ariz.

Services Marketing Institute Sponsored by the AMA's Services Marketing Division and First Interstate Center for Services Marketing at Arizona State University. "Basis fees: AMA members \$2,000 early, \$2,100 late; nonmembers \$2,300.

May 5-8—Lake Buena Vista, Fla.

First AMA Congress on Customer Satisfaction Sponsored by the AMA's Office of the Chairman of the Board at Walt Disney World's Swan Hotel. Chairman: Brian Kaznova, Program Manager, IBM Corp., 4111 Northside Parkway, Atlanta, GA.

tions can provide a lot of information on targeting consumers, smart marketers use outside sources.

Some companies are importing proprietary information into Supermarket Solutions to come up with a customized system, while others are taking information off the system and putting it into another data base.

Developed in 1985, Supermarket Solutions contains U.S. Census Bureau statistics based on trade area boundaries for more than 33,000 supermarkets across the country; 70 standard facts for each store, including location, size, volume ranges, departments, shelf and display space; and U.S. Bureau of Labor Statistics on spending habits across a broad class of products consumed at home.

Late last summer, the company added a user profile library, which contains information on more than 1,300 food categories identified by panel data from Mediemark Research Inc.

The library gives users "quick starting power," Clapp said, because retailers can simply look across categories. One retail chain using the system discovered that its dairy section was too concentrated on milk and its deli needed to be expanded.

Supermarket Solutions also help companies develop targeted in-store merchandising programs, select sites, and analyze the market for promotional or support activities for new products. ■

30327. Fees: AMA members \$595 early, \$645 late; nonmembers \$695 (conference only), \$725 (conference plus one-year AMA membership, preregistration only); AMA student members \$125.

May 28-31—French Riviera

17th International Research Seminar in Marketing

Sponsored by the Federation Nationale pour l'Enseignement de la Gestion with the support of the AMA at the Iret resort. Chairman: Robert T. Green, Department of Marketing, University of Texas, Austin, TX 78712, (512) 471-1122. French contact: Lydia Palauqui, I.A.E., Clos Guiot, 13540 Puycricant, France. Fees: auditors 3,000 FF; spouses 2,000 FF; authors 1,300 FF.

June 9-12—Chicago

Sports Marketing Conference

Sponsored by the AMA at the Chicago Marriott Hotel. Chairperson: Jeff Knapple, Kemper Sports Management. Contact: Jim Ferguson-Jones, AMA, (312) 648-0336. Fees: AMA members \$525 early, \$575 late; nonmembers \$625 (conference only), \$655 (conference plus one-year AMA membership); AMA student members \$125.

June 23-25—Dallas

AMA's 1991 Technology in Marketing Conference

Sponsored by the AMA's Marketing & Sales Management Division at Informart. Theme: "High Touch Technology: How to Get and Keep Customers." Chairman: Mike Weintraub, Informart, (214) 746-3538; and Jim Ferguson-Jones, AMA, (312) 648-0336. Fees: AMA members \$395 early, \$445 late; nonmembers \$495 (conference only), \$525 (conference plus one-year AMA membership); AMA student members \$95.

July 7-12—Notre Dame, Ind.

AMA's 11th Annual School of Marketing Research

Sponsored by the AMA's Marketing Research Division at the University of Notre Dame. Chairman: Michael J. Etzel, University of Notre Dame, College of Business, Notre Dame, IN 46556-0339. Fees: AMA members \$1,690; nonmembers \$1,790 (room & board included in fees based on single occupancy).

AMA chapter-sponsored conferences

Feb. 20—Chicago

One-day workshop sponsored by the Continuing Education Division of the AMA's Chicago Chapter at the Barclay Hotel. Theme: "Recognizing Quality in Qualitative Research." For more information or reservations, contact Kathy Donaldson (708) 449-5300. Fees: AMA members \$95; nonmembers \$110.

March 7 & May 16—Chicago

Workshops sponsored by the AMA's Chicago Chapter at the Tremont Hotel. Theme: "Leadership in Marketing Thought." For more information or reservations, contact Michael Bower (312) 440-5252. Fees: March 7, \$35 in advance, \$40 at the door; May 16, \$45 in advance, \$50 at the door.

March 21—Chicago

One-day marketing research conference sponsored by the AMA's Chicago Chapter at the Sheraton Plaza Hotel. Theme: "Target Marketing—A Research Perspective." Contact: Amy Weiss (312) 329-3270. ■

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UNC announces its Spring 1991 seminars for upper and middle level executives and general managers who interface regularly with the marketing function.

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COMPANY INFORMATION

Name INNOVATIVE SYSTEMS, INC.

- Related Companies**
- ISI International (a.k.a. SMS Consulting, Ltd.), (London)
 - Innovative MicroSystems, Inc. (PA)
 - Marketing Dynamics Group, Inc. (PA)

Address 790 Holiday Drive
Foster Plaza, Building #1
Pittsburgh, PA 15220

Telephone 412-937-9300 (or) 800-622-6390 (Voice)
412-937-9309 (Fax)

BUSINESS CHARACTERISTICS

Revenue 1994 1993
\$30M \$26.5M

Growth 13% (1993-94)

Business from Data 100%

- Management (%)**
- Vendor provides consulting, custom applications software, and timesharing services for customer databases used for customer and marketing information. Consulting services include strategy development for customer relationship management, data acquisition and management architecture development, and database utilization tactics (i.e., modeling).

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other Work
		<ul style="list-style-type: none">• 90%• Software is licensed, so the relationship is generally long-term. Also, vendor uses tier pricing, varying the licensing by the size of the organization.• Vendor claims "over 800 successful projects in over 25 years." ...in 18 countries.		<ul style="list-style-type: none">• 10%

(C)

Vertical Specialization	Markets	Offerings
	<ul style="list-style-type: none"> • Financial institutions are the primary market. • Insurance is a secondary market. • Other markets include utilities, and commercial (business-to-business). 	<ul style="list-style-type: none"> • See listing of software modules elsewhere.

DATA MANAGEMENT BUSINESS

	Approximate % of Revenue	Description/ Competitive Advantage
List Management		
Merge/Purge		
Enhanced List Creation	• 90%	<ul style="list-style-type: none"> • Vendor provides software for “customer relationship management.” Software includes these database management function modules: Scrub, Match, MatchReview, Edit, CIFanalyzer, Household Technology, Corporate Technology, and DatMan+.
Custom Database Creation	• 10% involves using their software for data management on a project basis, generally on the vendor’s site.	
Outsourcing		

BUSINESS PROCESS MANAGEMENT

- Current**
- CIF approach puts innovative into customers' business from a de facto standpoint
 - This does not appear to be a BPM strategy, however.
- Potential**
- Very focussed on current services
 - Unclear what altitude would be

OTHER FACTORS

- Technology Advantages**
- Products are positioned as being client-server, a more attractive alternative to centralized systems.
 - Vendor sites core technologies in conversion and quality management (editing, identifying duplicates) that results in a 99+% accuracy level for files; in batch and on-line adds and changes; and in establishing household and commercial links to each other in the file and to products in the total CIF.
 - A key claim of the vendor is the ability to reduce risks and increase profitability, on database marketing through a customer lifecycle management program that helps customers measure and target, predict cross-buying, and predict defections.
- Consulting/Advisory Services**
- Vendor offers an integrated approach to adding value:
- Developing the conceptual models and strategic plan for the customer architecture, including modeling and segmentation, sales tracking, relationship pricing, profitability and risk analysis, marketing analysis
 - Assisting in the development of a customer information file using data transformation and data integrity techniques.
- New Offerings Planned**
- Business/Technical Partnerships**
- Vendor does not do creative work, but does have a partnership with Customer Management Services (Chapel Hill, NC) for such marketing support functions as direct mail.

FIT WITH D&B

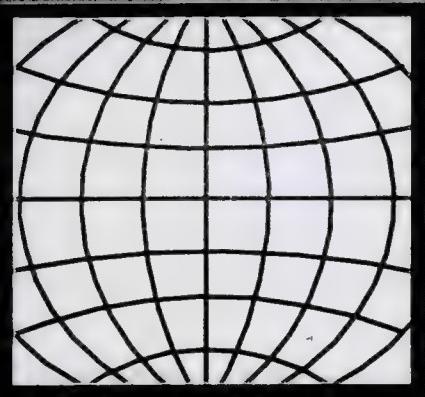
- Could be a good fit because of CIF approach
- Needs direct discussion

OWNERSHIP

Unknown

OVERALL ASSESSMENT

- A good company with “innovative” approaches.
- Innovative is focussing its technology and market knowledge on “find and farm” (as opposed to traditional reach and frequency) direct marketing measures.
- Foundation of business is still generalized products, since most customers are still traditionally oriented.
- Vendor offers a very innovative approach to customer information file creation/conversion and management. Their ability to both provide the software and work at the client’s side to do the actual work, fits with clients’ felt need for vendor independence and the reality that most customers could not possibly complete these tasks as well as ISI.
- Long term contracts represents an above-average market position.
- Generalized products offer potential for expansion.
- There are some interesting plays between ISI’s software, sales force automation databases (e.g., Sales Technologies), and the urgent need to find and farm qualified prospects, rather than the tired notions of reach and frequency.



*How to Convert to CIF
In Weeks, Not Years.*



Innovative Systems, Inc.
The World Leader in Client Information Systems



***How to Convert to CIF
in Weeks, Not Years.***

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Fax 412-937-9309

Introduction

What is the Value of a Client Orientation?

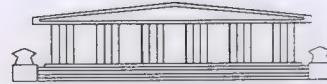
Today's business environment is characterized by increased competition from both within and outside of your traditional markets. Firms throughout the financial services industry are attempting to increase revenues and defend against competitive access to their client base by expanding the number of ties they have with their existing clients. To do so requires a complete understanding of who your clients are, what relationships you currently have with them, and what additional products may be of value to them. The emerging strategy of the 90s is to consider each client as a relationship that should be maximized to its potential.

CIF (Client Information File) is the minimum requirement needed to move your organization from a contract or policy holder orientation, to one that focuses on the client as an important business relationship. A CIF is a centralized repository of client-related data that provides an accurate, consolidated profile of each client's total product and service relationship with an organization. Many firms have correctly used their client file as an umbrella that spans all of their administrative systems and as a vehicle to manage the client data common across all systems and users.

Your Business Environment

Pressures to Improve:

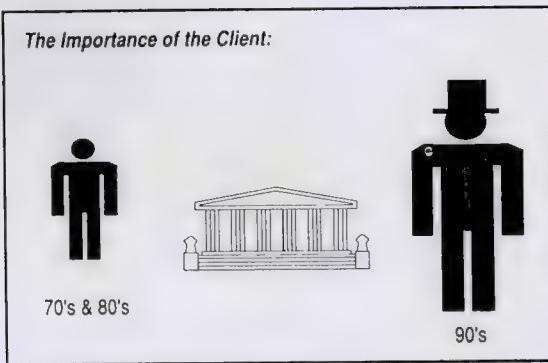
- Profitability
- Efficiency
- Persistency
- Client Satisfaction
- Competitive Position
- Cross-sales
- Risk Exposure
- Marketing Effectiveness



Isn't an Alpha Index the same as a Client File?

A client file differs from an Alpha Index system in many ways. The most notable difference is the relatively minor competitive impact an Alpha Index has in an organization, as compared with a client file. This is due to the limited client information it stores and its inability to provide the "total client relationship" through one, consolidated profile. Typically, an Alpha Index is simply a collection of all client names and policy numbers from all administrative systems. Since the records maintain minimal information and are not matched, system users must sort through the data to compile an accurate client profile each time a inquiry is made. Because of the number of misspellings and variations that can exist among names and addresses, the result is less than optimal. In many cases, the limitations of an Alpha File have hidden the potential value that true client systems can provide to financial organizations.

Your Business Environment



If the client system is built and positioned as an organization's sole repository of client-related data, then virtually every department that uses its information will receive payback in some form. The return on investment is not measured in terms of a handful of beneficiaries, but by the tangible and intangible advantages of being able to efficiently implement client-based sales, marketing, and service strategies while reducing the cost of supporting them. As the ever-competitive insurance marketplace becomes more and more crowded due to entrants from non-traditional sectors, your strategic advantage may hinge on your ability to maximize the persistency and value

of existing clients through cross-selling and overhead cost reductions, while developing more efficient strategies for gaining new clients.

CLIENT PROFILE					
CIS NBR 005016		ALERT N			
JOHN Q SMITH		HOME PH 412 363 1122			
123 MAIN ST		BUSINESS 412-123 7654		TIN 123 45 6789	
PGH PA 15220		EMPLOYER FIRST MEGA BANK		CERT Y	
				BIRTH 07/23/50	
				PBO 3709	
APPL	ACCOUNT	REL CODE	BALANCE	DATE OPEN	DATE CLOSE
LIFE	1234	INSURED	10,000	9/20/85	
MF	3456	JNT	15,000	7/15/87	
ANN	7890	TTEE	5,000	4/30/88	
P+C	0987	PRIOR	10,000	2/11/81	
HLTH	4321	INSURED	90,000	6/28/75	

What is a Client Information File (CIF)?

In most environments today, a client's name, address, and related information is spread across a number of administrative systems. This redundancy makes it difficult for the organization to develop a full profile of the client's relationship with the organization. This inaccessibility -- even with a partial solution provided by an Alpha Index -- limits not only the front line service objectives, but also the administrative goals such as improving mail economics or providing consolidated billings. By centralizing this information in either a stand-alone or integrated database, the organization can leverage the data to make each client's consolidated relationship profile easily accessible. If accurate and complete, the data it contains will be extremely useful in improving the productivity of the sales, marketing, client service, and administrative efforts while improving the organization's ability to adapt to competitive pressures. Further, a centralized and accurately consolidated CIF becomes a powerful corporate asset.

This document describes many of the approaches financial institutions use to convert to client-based systems. These approaches and their shortcomings will be compared against the superior conversion products and services that have made ISI the leader in client-based systems management.

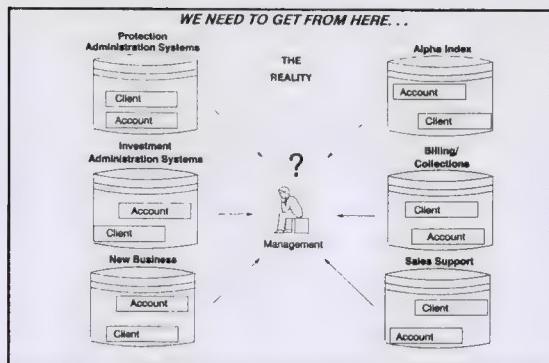
An Outstanding Track Record

Over the past 25 years, Innovative Systems, Inc. (ISI) and the installation and maintenance of Client Information Files (CIFs) have become synonymous in the financial services industry. Whether CIFs are purchased from a major software vendor or built in-house, ISI's Client Information Management Software Technologies are the first choice of financial industry management.

The Business Problem of Converting to Client-Based Systems

Complex and Expensive, but Absolutely Necessary

CIF conversion can be a very labor-intensive process, taking possibly months or even years. Transferring information from administrative systems to CIF is not a simple, one-step process. It can be incredibly tedious -- in some industry sectors, it may involve the manual review and correction of thousands of name and address records. And it can be expensive in terms of cost per record.



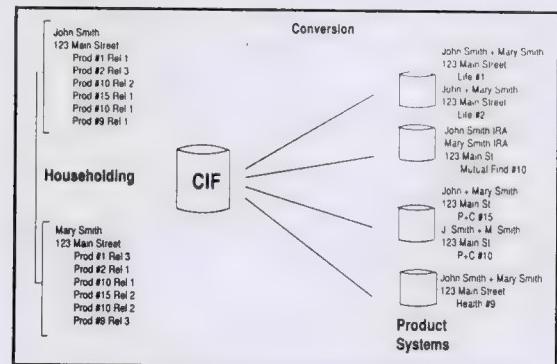
CIFs with poor data integrity, which takes the form of misidentified clients and incomplete relationships, have no value to end users and provide marginal return on investment. Research on successful client management systems indicates that data integrity is

the single most critical success factor in all areas of the financial services industry. High-quality data not only affects how firms view their clients, but how clients view the firms with whom they do business. For this reason, insurance firms and the vendors who support them -- both of whom understand the impact that data quality has on CIFs -- insist on ISI for the most cost-effective and accurate conversion process available.

Major Issues

There are two important factors to consider about CIF conversion software. First, the required level for CIF data accuracy is between 98% and 99%. For this reason, general purpose marketing and list processing applications are not the answer to acceptable data integrity. Second, conversion cost and resource requirements are typically underestimated since the amount of "total effort" required for such a task is not easily projected, except by uniquely qualified CIF consultants.

CLIENT IDENTIFICATION PROCESS: Scrubbing



What's the Problem?

Creating a high-integrity CIF typically requires "scrubbing and matching" phases across many administrative systems. The administrative systems from which many CIFs are created pose several challenges to building an accurate and consolidated profile of client information. Duplicate records are always

Common Conversion Approaches

present. Individual clients are set up as organizations. Privileged information surfaces on mailing address lines. Human beings who enter information into databases are bound to make mistakes regardless of how attentive they are to their tasks. For these reasons, a methodology that is equipped to handle both the human and technological challenges of conversion must be employed.

The Scrubbing Phase: Client Identification and Address Standardization

The first phase in a conversion process is Scrubbing. Scrubbing identifies and parses data on the name, address, and city lines, and then standardizes that information across all records. Since the objective is to build a client-based system, the critical task is the accurate identification of each and every client name on the record. To do this, a scrubbing system must be able to successfully propagate compound name structures (e.g., create a James Smith and a Betty Smith record from James & Betty Smith) and distinguish a name from a title or relationship word carried on the name line (e.g., John Smith FLMI).

To aid in client name identification, it is important that recurring name-line titles and words carry the same format throughout the database: For example, "In Trust For" cannot be abbreviated ITF in some records, Trust For in others, and I/T/F in still others if

CLIENT IDENTIFICATION & STANDARDIZATION			
DR JOHN M THATCHER TSTFR JOHNNY THATCHER BENEFICIARY 124 OAK STREET BOSTON, MASSACHUSETTS 02116 SS # 123456789			
N	DR	JOHN M	THATCHER
N	JOHNNY	THATCHER	BENEF
S	123	OAK ST	
C	BOSTON	MA	02116
SS # 123456789			

consistency, and ultimately, integrity, is to be maintained throughout the system. *Variations like these make it difficult to identify the customer name -- the primary goal of successful scrubbing.* A standard abbreviation, such as ITF, ensures that any variations on this title are identified and changed to the standard across all records.

In order to be effective in the identification, parsing, and standardization of data elements, scrubbing software must be able to:

Separate names from --

- Titles
- Suffixes
- Name and financial institution appendages
- Compound or conjunction names

Standardize (with the option to correct) --

- Address line types
- Street names
- State names
- City names
- Postal codes (ZIP and ZIP + 4)

Scrubbing is required on these elements to:

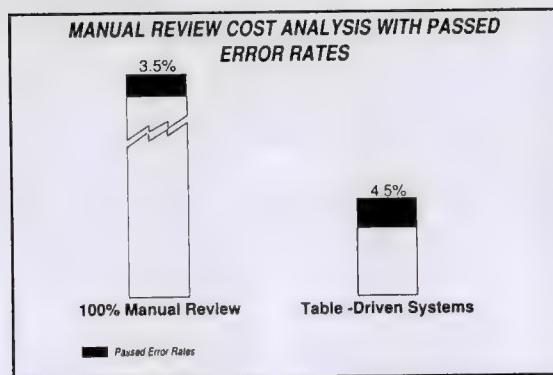
- Accurately distinguish the client name from non-name terms that were entered during the registration process.
- Parse or break out name and address lines into separate data elements to facilitate database population.
- Clarify name and address information by standardizing the address and non-address terms. Included in this process is the identification and flagging of potential data integrity issues within the file that, unless corrected, will lower the overall accuracy of the CIF.

Once the scrubbing is completed, the live data is passed through any required reformat programs to create the dataset to be loaded into the CIF.

The Table-Driven Scrub Approach

During this *non-ISI*, preparatory scrubbing phase, programmers continually review the test data that is passed through the reformatting and scrubbing systems. In a table-driven approach, tables are built to identify as many key words in the financial institution's file as possible. These tables are used to aid line- and account-type identification, and to develop standardized abbreviations. This phase involves many test runs and a significant manual review effort to tune the scrubbing system.

The drawback to table-driven systems is that despite the considerable effort spent tuning them, there is no guarantee that a full-file production run will achieve the level of accuracy attained during the tuning process. It is virtually impossible for anyone to tune the system to catch every variation that may exist in the data. To do so would essentially require 100% manual review during the setup process. Therefore, the use of table-driven systems alone assumes acceptance of an error rate level that is not conducive to the success of client-based information systems. While table-driven systems are designed to minimize



manual review, the effect is an increased number of errors contained in those records not flagged for review (i.e., passed errors). The resultant trade-off is a minimal amount of manual review at the expense of significantly decreased CIF data accuracy. In order to minimize the number of passed errors, table-driven scrubbing systems typically flag a high percentage of records for review. Most financial institutions who

use this approach are forced to undertake a lengthy manual review process for all the data records that have been scrubbed and loaded to the CIF.

Furthermore, in some scrubbing systems, those records that fail to satisfy the scrubbing program requirements are rejected prior to the creation of the dataset to be loaded into the CIF. As a result, these rejections have to be manually data-entered into the CIF. This time-consuming process can throw the administrative systems and CIF out of synch.

The Matching Phase: Duplicate Client Identification

The second step in a conversion process is Matching. Matching provides a consolidated view of a client's relationship with the financial institution. It can occur at the customer level ("John Smith" is matched to all of his records in the CIF,) or at the household level (all "Smiths" living at the same address are linked.) The identification of duplicate name and address records is absolutely critical since near total accuracy is required to ensure that the CIF provides strategic value to the organization. Accuracy in matching has proven to be a critical CIF success factor.

The matching phase is challenging because the data -- even for the same client -- can vary widely from one administrative file to another due to several logistical and environmental factors. Data entry standards may differ from one administrative system to another. Clients may oftentimes provide their name and address information inconsistently when opening each new policy. Adhering to the precept that the client relationship is paramount, financial services firms must be positioned to defend their databases against duplicates. Failure to do so can negate the anticipated return on investment by weakening the confidence that systems users and clients have in the data.

To ensure a successful CIF environment, matching software must:

- Identify duplicate clients despite misspellings,

ARE ALL OF THESE JOHN?

PROD A	JOHN M	THATCHER	123	OAK ST	02178	M	024367778
PROD B	JOHN	HATCHER	132	OAK ST	-----	M	1111111111
PROD C	JOHN M	THATCHER	123	OAK	02178	M	039141123
PROD C	JOHNNY	THACHER	123	OAK	02178	M	-----
PROD D	J M	THATCHER	---	OAKK ST	02187	M	135214415
PROD D	J M	THATCHER	---	OAKK ST	02187	F	-----

transpositions, and/or missing information.

- Provide enough user control to minimize the potential for overmatching (matching individuals who are not duplicates) and undermatching (failing to match individuals who are duplicate.) Both situations can be more destructive than not implementing a matching program at all due to the impact such actions would have when clients entrust their financial relationships to a particular firm.
- Reduce or eliminate manual review.

Most companies can develop special matching facilities to locate duplicates if an exact or very similar relationship exists between every character on the record. Unfortunately, these types of matches account for only a small percentage of potential duplicates. Most duplicates are harder to locate. Therefore, it is important to employ a matching system that can locate duplicates despite variations in the name and address data without committing the organization to significant levels of costly manual review.

It is also important to note that the challenge of locating duplicate clients across administrative systems has proven to be too costly for most firms to develop the appropriate software in-house. As a result, packages purchased from vendors specializing in high-accuracy client file applications are the most common approach.

Common Matching Techniques

There are three basic matching techniques available on the market today: Key-based or match key, weighted field, and full element heuristic. As with most technologies, each has advantages and disadvantages in terms of its ability to identify duplicate records.

Key-Based Matching

In key-based matching, client name and address

MATCHING METHODOLOGIES FOR CLIENT LEVEL OR HOUSEHOLD MATCHING

Match Key

- Inexpensive
- Inaccurate
- Not tolerant of missing or incorrect characters within key field

Weighted Field

- Uses full field matching
- Achieve total weights several different ways
- Can't distinguish between types of matches

Full Element Heuristic

- Uses full field matching
- Minimizes over matching & under matching
- User controls match criteria
- Tolerates missing, transpositions or misspelled words

information is used to build a key from an algorithm based on components of that name and address. In similar fashion, a key is built for every record in the database. Upon comparison by the system, all keys that are identical constitute duplicate records that can be merged or linked. The only advantage to key-based matching is cost: This method is inexpensive when compared to other technologies since it does not offer the capability to manually review any potential duplicates. However, key-based matching is comparatively inaccurate and intolerant of missing and/or incorrect characters within the key fields -- attributes which make this method prone to overmatching and undermatching.

The coincidental similarity of the match key elements may assign two distinctly different records the same key. As a result, both records are identified as duplicates even though they obviously represent different clients. This is overmatching.

Similarly, records can be undermatched if the same client has multiple accounts or policies that may have slight data differences between them: a misspelling or a missing character, for example. If this causes different keys to be built for each record, these records will not be matched when in fact they should be.

The key-based method is used most often in list processing and mail merge applications as opposed to identifying client relationships, where the ramifications of overmatching and undermatching are more critical. The high-accuracy requirements of CIF demand more sophisticated techniques and better results than key-based matching can offer.

Weighted Field Matching

Weighted field matching is superior to key-based matching. The weighted field method uses a full field matching approach. Rather than relying on keys, weighted field matching compares full first names with full first names, full last names with full last names, full house numbers with full house numbers, and so on. It then assigns a weight factor to each matching element, which reflects the degree of relative importance the element has in indicating a duplicate. This weight is then multiplied with a number that reflects the degree of similarity between the matching elements. The resulting weighted element numbers are added together to comprise a score for the record. Then, based on criteria determined by the institution, the user defines what score constitutes an acceptable match.

For example, suppose a score of .18 defines a match. Hypothetically, any score of 18 or higher might constitute a duplicate, while a score of less than 18 constitutes a non-duplicate. While the weighted field approach is a much better technique for identifying duplicates than the key-based method, it has disadvantages.

The primary drawback with the weighted field method is that it doesn't allow the user to distinguish between types of matches. There are many ways to add up element numbers to arrive at a final score of 18. If a

score of 18 is chosen as an acceptable match, all "18s," regardless of how their scores are determined, are matches. The user cannot select certain criteria to define what are duplicates, and other criteria to define what are not duplicates if their scores are the same.

Full Element Heuristic Matching

The most accurate and flexible matching technology, and the method used in ISI's Matching Technology, is called full element heuristic matching. As with the weighted field method, the full element heuristic approach is also a full field matching technique.

The full element heuristic approach is superior because of its ability to identify all possible ways that two records can vary from one another and then explicitly define what variations can be considered matches. This gives the user the ability to identify and categorize potential duplicates based on the degree of similarity between two records. In this way, the user can identify a larger portion of duplicates in an automated fashion while minimizing the risk of overmatching or undermatching.

After records are elementized and compared using the full field approach, each is assigned to a category based on four possible comparison attributes. These categories have specific meanings that represent every possible variation that can exist between the matching elements and comparison attributes. The categories are then individually evaluated to determine whether their degree of similarity is representative of duplicate or non-duplicate status according to their frequency of occurrence and criteria determined by the user. This explicit identification of suspect duplicates by degree of similarity provides the flexibility to accurately categorize compared records into those which are duplicates, those which might be duplicates and should be manually reviewed, and those which are not duplicates.

The ability to do very selective manual review on those situations where the degree of similarity constitutes a high number of duplicates intermingled in a category also containing non-duplicates is the key.

The full element heuristic method allows users to specifically identify those categories and select them for manual review to improve the accuracy in those areas that warrant the investment. Manual review should be used on an exception basis rather than as the primary means to identify duplicates that are non-exact matches.

The full element heuristic method provides an automated means to compare records and apply an institution's definitions as to what constitutes a duplicate based on specific levels of similarity. This capability allows a large number of duplicates to be identified despite misspellings, transpositions, and missing information while minimizing the problems of overmatching and undermatching. Due to its ability to accurately identify duplicates while minimizing manual intervention, the full element heuristic approach is the most widely used matching technique for creating and maintaining client information files of the highest quality.

Projecting the Cost of Conversion

Important Considerations

Although non-ISI procedures may work, a major problem surfaces: cost. Using these techniques can result in unnecessarily high conversion costs to ensure an acceptable level of accuracy. All approaches will include a degree of programming costs for reformat, standardization and interface programs, and computer time for processing the name and address data. Since the non-ISI approaches must trade accuracy against the degree of automation, they may require significant levels of manual review in both the scrubbing and matching phases of the conversion process to bring CIF accuracy to an acceptable level. This manual intervention represents one of the highest cost factors in developing a client file. Large-scale manual

intervention also magnifies the logistical challenges and lengthens the time-line of the conversion project, and delegates personnel to tasks that are neither cost- nor resource-effective. Consequently, these expenses can total an average of over one dollar per record.

A financial institution's ability to control the level of accuracy or passed error rate is largely based upon the sophistication of the scrubbing system and its ability to interpret the meanings of words on the name lines.

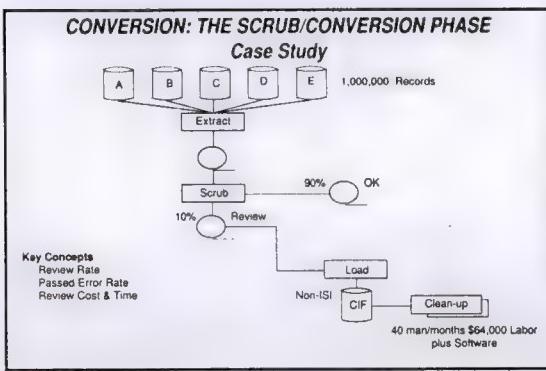
Table-driven systems, which require tuning to catch possible variations of non-name words, always allow passed errors to slip into the CIF and degrade data integrity. Inevitably, production runs contain variations that were never seen in the preliminary tuning runs and which erode data accuracy. Once the passed errors enter the CIF and their negative effects are realized, they are very difficult to find and correct.

Non-ISI approaches can lead management to believe that to minimize the passed error rate is to rely less on automated processes and more on manual review. While manual review may help to reduce the passed error rate, it significantly increases the cost per account due to the allocation of comparatively costly review resources. In fact, depending upon the software used, the manual review rate can run as high as 100% of the total policy base -- and often significantly more -- depending upon the type of products offered and the complexity of the name and address structures. In short, the impact of manual review on a conversion project's critical path and budget is an important consideration that cannot be dismissed.

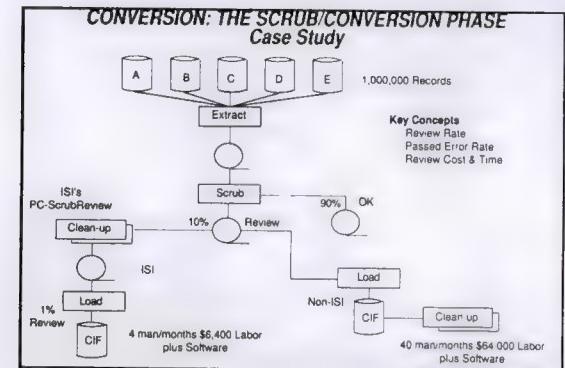
A Case Study: The Implications of Manual Review on the Scrubbing Phase

Assume that a mid-sized financial institution has one million records to convert and uses a *non-ISI*, table-driven system to accomplish the task. In order to raise the accuracy rate to the level acceptable to financial industry standards, a minimum of 10% manual review is required to reduce passed errors. Assume also that a full-time reviewer earns \$1,600 per month, excluding

benefits, and is able to review and correct 2,500 records per month using the CIF's on-line utilities.



The ISI Solution: The Cost-Effective Conversion Approach



Therefore:

$$(1,000,000 \text{ records}) \times (10\% \text{ review rate}) = 100,000 \text{ records to review}$$

$$(100,000 \text{ records}) \div (2,500 \text{ records reviewed monthly}) = 40 \text{ months}$$

$$(40 \text{ months}) \times (\$1,600 \text{ per month}) = \$64,000 \text{ cost of data review}$$

$$(\$64,000) \div (100,000 \text{ records}) = \$0.64 \text{ cost of data review per record*}$$

- * Excluding computer processing, software, and management costs

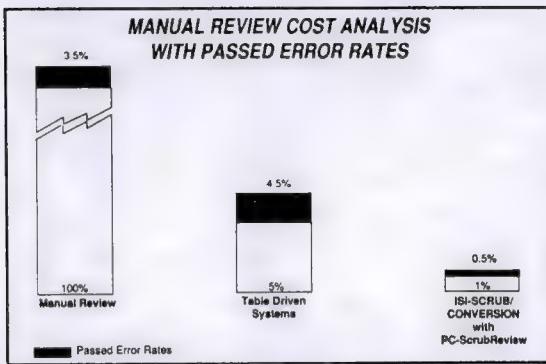
The impact of manual review on the scrubbing phase alone is considerable. Figures like these can be even more staggering in an actual situation where the review rate may be considerably higher and where the ramifications of the matching phase must also be taken into account. (There has to be a better way to CIF conversion, and there is.)

ISI uses a unique approach to CIF conversion. We have proven that the most cost-effective way to create a CIF is to reduce the single major cost factor -- the manual review effort -- while keeping accuracy high. ISI provides versatile solutions for the scrubbing and matching phases, complemented by review software options designed to increase manual review productivity. The result is a proprietary technology that allows you to convert to CIF in a matter of days and weeks instead of months or years while maintaining the accuracy levels necessary for a successful CIF application.

Think about it. Why bother to review every name and address record for errors, if the Scrubbing Technology can render most of the data error-free? Wouldn't it be more cost-effective to simply review only those records that have been deemed in error and in need of manual effort? And wouldn't it be better to accurately locate duplicates despite misspellings, transpositions, and missing information in an automated fashion?

The ISI Scrubbing Technology

From our experience, only 1-10% of the data that passes through ISI Scrubbing Technology requires manual review. And the records successfully scrubbed by the system, without any manual review, are typically 99.7% error-free.



ISI knows how to identify and capture all potential error conditions and has the capability to correct most of them through automation, thereby maximizing accuracy while minimizing review. Using ISI Scrubbing Technology, you may be reviewing, on average, only 1% to 10% of the data passed through the system. Of the records segregated and flagged for review, those requiring manual correction will be significantly less. ISI's specialized software enables you to automate the conversion process while ensuring accuracy levels that typically are not reached using alternative approaches relying on manual review.

By using ISI's approach, which does not require 100% review to ensure total accuracy, you realize up to a 90% savings in the review cost associated with just the scrubbing and review phases of the project, while achieving a highly accurate CIF in the process. Furthermore, your CIF's accuracy exceeds the level proven to be the minimum requirement for success in the financial services industry.

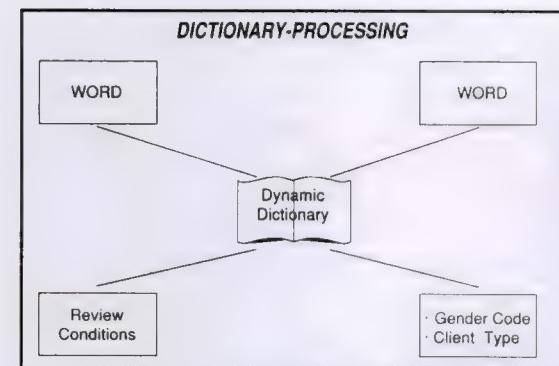
How it Works

ISI Scrubbing Technology identifies:

1. Line types (name/address/city-state-ZIP).
2. Client names hidden among name appendages (MD., PHD., FLMI, CLU, etc.), financial institu-

tion appendages (ITF, UGMA, TRUSTEE, etc.), complex structures, or other formats, while removing, standardizing, and coding them.

3. Titles (Mr., Mrs., etc.) and suffixes (Jr., Sr., etc.)
4. Policy/client types (business/personal),
5. Applies consistent postal standards to the address and city/state/ZIP, ZIP + 4, and carrier route code lines, and
6. Parses all required name, address, and relationship elements into separate fields.



The key advantage of ISI's Scrubbing Technology is the Proprietary Dictionary, which ensures accurate client name identification despite the complex structures or miscellaneous information that can clutter name lines. The Dictionary, perfected by a quarter century of industry scrubbing, contains over two million words and phrases with their definitions. The Dictionary interprets each word on the name line and, based on its highest probable meaning and position relative to other words and phrases, determines an exact definition. More importantly, the dictionary is dynamic and continues to grow with the processing of new data. This allows ISI to accurately create client records without the limitations associated with table-driven systems.

After this process, the client receives a tape and reports containing "Selected Errors for Review," and "Records Successfully Scrubbed." Maintenance can take two forms: Manual review directly on the mainframe using the error reports or, optimally, ISI's sophisticated PC-based review productivity systems.

The scrubbing process, which can include one or several product lines at once, usually takes no more than two weeks depending on file size. The time required for correction of scrubbing errors is a function of the condition of the name and address data, the required accuracy level, and personnel resource allotment. (See The Dress Rehearsal section.)

Efficient Error Review and Correction: The PC-ScrubReview® System

ISI provides a faster means to review and correct flagged errors with our PC-ScrubReview productivity tool. Complementing ISI's Scrubbing Technology, the PC-ScrubReview system fully automates the review/correction process.

Suspect records are downloaded from the mainframe to a stand-alone PC or LAN file server in manageable batches. The PC-ScrubReview system displays the input and the output from the Scrubbing system and highlights errors. The reviewer can correct the error on-screen, or flag it for off-line research if the record requires additional attention.

After all records are reviewed and corrected, they are uploaded to the mainframe and combined with the scrubbed records not requiring clerical review.

The PC-ScrubReview system greatly reduces the total conversion time frame and the cost of reviewing those records that warrant attention. Corrections that would normally require navigation through many CIF maintenance screens may be resolved with as few as one keystroke using the PC-ScrubReview system. Productivity is increased by 800% as the margin for error falls since the system expedites the correction process and relieves the mainframe of the review process burden.

The Next Phase: The ISI Matching Technology

ISI's Matching Technology, based on the full element heuristic concepts previously described, is vastly superior to other commercially-available systems. This method is very effective despite misspellings, transpositions, and/or missing information typically found in client data. ISI's products provide an accurate and flexible means to identify duplicates in a client-oriented sales, marketing, and service environment where the ramifications of poor matching are much more significant than mailing too few or too many pieces of mail.

Since the typical client owns an average of 1.5 products when a CIF is first created -- prior to any duplicate link or merge -- client records will reside multiple times on the CIF. Throughout the entire unmatched database, only a small percentage of the file will be exact matches. The real challenge for matching in the CIF environment is identifying the potential duplicates that are similar, but not exact. It is not unusual to find a duplicate rate of 30% after exact matches have been eliminated. For this reason, it is important for a financial institution to have explicit control over the matching criteria it uses to identify duplicate clients.

Last Name	S	BR	First Name	HSE	Street	ZIP	T	SS/EID
THATCHER	4	---	JOHN M	123	OAK ST	02178	M	024367778
THATCHER	4	---	JOHN M	123	OAK ST	02178	M	024367778
-								
								RANK 001-001
THATCHER	-	---	JOHN M	123	OAKK ST	02178	M	024367778
THATCHER	-	---	JOHN M	123	OAK ST	02178	M	024367778
					✓		=	b
-								
								RANK 025-002
THATCHER	-	---	JOHN M	123	OAK ST	02178	M	024367778
THATCHER	-	---	JOHN M	132	OAK ST	02178	M	111111111
				✓			=	✓
-								
								RANK 037-009

How it Works

In the comparison process, ISI's full element heuristic matching assigns one of four possible attributes to describe that field's degree of similarity between the

two client records:

1. **Equal** means both fields are identical in every respect (character for character).

example:

MAIN ST
MAIN ST

2. **Check** means two fields are different due to a possible misspelling, transposition, or missing data.

example:

MAIN ST
MIAN ST

3. **Blank** means one or both fields are blank.

example:

MAIN ST

4. **Not Equal** means the two fields are definitely different.

example:

MAIN ST
CENTER ST

As described in the full element heuristic matching section, ISI's matching system first categorizes records into static groups based on the degree of similarity that exists between the records. These categories have specific meaning to represent every possible variation that can exist between the matching elements and the comparison attributes. The user then sets the system's parameters to decide which records, based on the level and the nature of the differences that exist in each category, to automatically combine or link as duplicates.

Since records are compared and assigned categories representing levels of difference between them, users can explicitly control or modify the match criteria as institutional needs change. ISI's Matching Technology is the most effective means available for matching client records originating from varying, non-standard sources, such as in a corporate merger or acquisition scenario.

CASE STUDY			
Match Resource Requirements			
	OPT 1 Total Manual Review	OPT 2 ISI-MATCH with On-Line Review	OPT 3 ISI-MATCH with PC-MatchReview
Records for Review	500,000	150,000	150,000
Rate of Review and Combine	10,000	15,000	45,000
Man-months Required	50	10	3.5
\$/man-months	\$2,000	\$2,000	\$2,000
TOTAL REVIEW COST	\$100,000	\$20,000	\$7,000

Automating The Review Process: The PC-MatchReview® System

As described above, the categories in which records are grouped represent all the possible ways that two records may vary. This level of identification allows users to segregate specific categories for manual review when required. An example of this is when potential duplicates and non-duplicates are intermingled in the same category. This is an important advantage not available in other matching systems. Consequently, you are not forced to err on the side of overmatching or undermatching when duplicates are intermingled with similar, yet non-duplicate records. When client records need to be reviewed, users of ISI's Matching Technology can selectively examine specific differences between suspect duplicates, and be sure they are maintaining high accuracy while minimizing overmatching and undermatching.

ISI's PC-MatchReview system is the optimal complement to ISI's Matching Technology. This productivity

review system provides the most effective and efficient means available to review suspect duplicates and eliminate them from CIF.

The PC-MatchReview system displays a batch of records on-screen, one family or related record group at a time. Each record is parsed into its matching elements and displayed in a manner that helps the reviewer determine if the record is a potential duplicate. Additional information can be extracted from the administrative systems and added during the review process to help resolve suspect duplicates. If the reviewer is unable to make an accurate assessment of the record's duplicate status, the record can be flagged for additional research. When the review process is completed, the coded data is uploaded to the mainframe as input to the institution's merge facility.

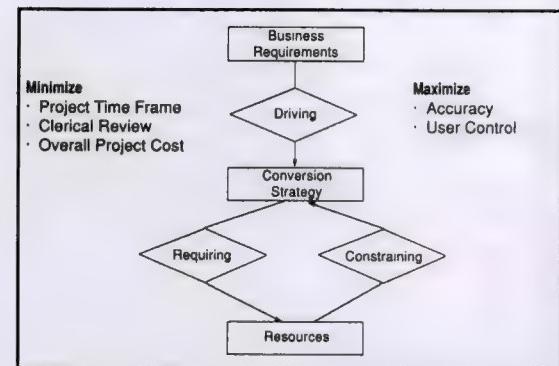
The PC-MatchReview system was developed to automate the review process and eliminate potential barriers in the construction and maintenance of accurate CIFs. It combines the review and duplicate status coding steps into a single, automated process. At least 300% as fast as manual report coding, this productivity tool improves overall staff efficiency. It essentially makes any manual review process affordable since the matching process can be done thoroughly and frequently enough to ensure accurate data both at initial conversion and over time.

Anticipating Conversion Problems and Resource Requirements

The Dress Rehearsal

The Dress Rehearsal is ISI's pre-conversion analysis used to assist institutions in planning conversion projects by determining time, cost, and resource requirements. The Dress Rehearsal is a unique process that provides a complete review of existing data quality issues and their impact on CIF integrity. It then uses this information to identify the appropriate

strategies available to ensure data accuracy at both conversion and over time (ongoing maintenance). The Dress Rehearsal also includes deliverables that provide quantitative and qualitative information such as review rate, duplication rate, conversion strategy recommendations, resource requirement estimates, a written report, and an on-site work session. Dress Rehearsal procedures, as with all of ISI's Technologies and associated procedures, are designed to complement the installation efforts of both vendor-supplied and in-house developed CIF systems.



The Dress Rehearsal as a Planning Tool

How long will it take? What are the hard and soft dollar costs? What are the logistical considerations when planning a conversion? These are common questions in any CIF conversion or CIF maintenance project. Implicit in these questions are how much manual intervention, programming, and computer resources are required, and what level of accuracy can be expected.

The Dress Rehearsal simulation answers these and other questions. By replicating production on a small but statistically significant test sample, ISI's Dress Rehearsal results reflect those that can be expected in live production. By identifying conversion and data integrity problems in advance, steps can be taken to resolve problems before implementing a conversion or maintenance project. This approach places emphasis on diagnostic evaluation by ISI's proprietary software,

which provides the most accurate, cost-effective means to convert and maintain client data.

The Benefits of Dress Rehearsal

Implementing a Dress Rehearsal is easy, and provides many benefits:

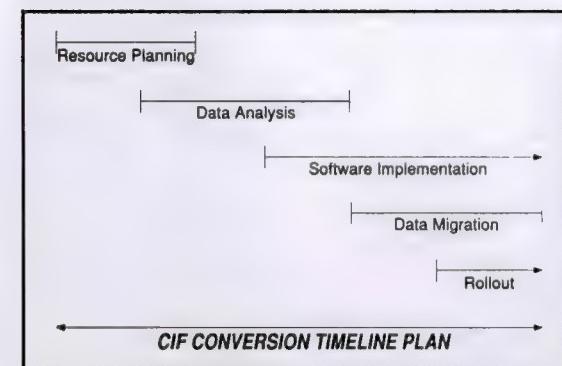
1. Detailed data analysis to identify specific issues in ensuring high data integrity.
2. Quality statistics needed to plan and develop an accurate project time line and resource requirements for conversion and ongoing maintenance.
3. Testing of extract, load, and merge programs.
4. Determination of pre- and post-processing efforts necessary for increasing the match rate and expediting manual review in both the scrub and match phases.
5. Staff Training in the conversion process to reduce the learning curve during actual production.
6. Determination of which software technologies are required to achieve a successful conversion process, based on particular institutional criteria and operating requirements.
7. Identification of ongoing maintenance needs based on institutional operating requirements.

Putting ISI's Experience into Practice

The Actual CIF Conversion Process

ISI recognizes that a conversion effort can be extremely time consuming, resource intensive, and costly. Our goal is to aid you in creating a CIF with the minimum of manual intervention and the highest level of accuracy, in the least amount of time.

We have accomplished hundreds of successful CIF conversions, and have provided assistance and software services to projects in every stage of CIF development. Through our experience, we have developed a base of understanding which includes all the necessary elements that must be considered in CIF conversion. Clearly, every conversion project is different -- a function of the technical and business environment of the organization. ISI's products and services can be applied to a wide range of scenarios, ensuring the most accurate and efficient conversion for your organization.

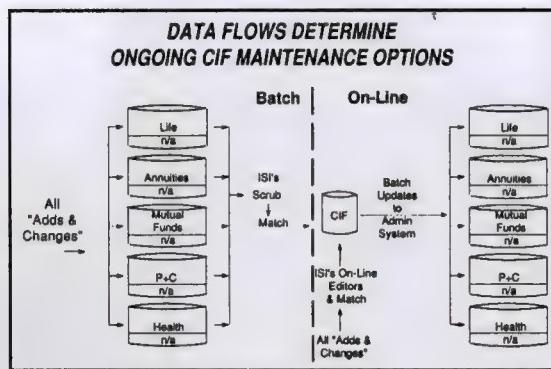


ISI recommends that a typical CIF conversion be managed in this fashion:

1. Participate in the Dress Rehearsal diagnostic and planning process.
2. Prepare time lines, benchmark objectives, and a project schedule.
3. Estimate budgets based on accounts to be converted.
4. Review all technical interface considerations and the requirements for scrubbing and matching, merging and loading.
5. Revise budgets and time frames as required.
6. Schedule and complete the production according to plan.

Ongoing Maintenance

It is crucial to the future integrity and success of client systems to have software and procedures in place to prevent the erosion of data integrity. Even with on-line searching capability for new policies, most institutions will continue to experience an increase of duplicate records as more client information is entered into CIF.



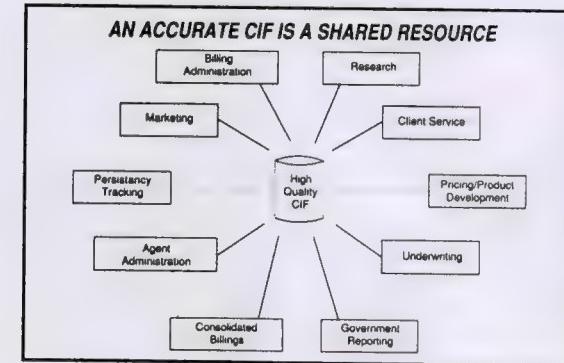
To further aid our clients, ISI provides the software necessary to keep the CIF clean while new entries and changes in the system occur. Many of the software providers with whom we are associated, along with many firms who use CIFs created in-house, have built these solutions into their on-line systems to locate errors at the time of data entry. For those who prefer batch mode maintenance, most of the conversion technologies were designed to double as ongoing, batch maintenance tools as well.

ISI's CIF Conversion and Maintenance Technologies

Summary of Benefits

ISI significantly reduces the time and cost of conversions by:

1. Minimizing required manual review time and associated costs.
2. Ensuring the highest possible level of data accuracy.
3. Providing batch and on-line scrubbing and matching tools that use technology consistent with ISI's worldwide reputation for quality, accuracy, and integrity.
4. Ensuring the shortest conversion time and minimizing manual intervention.
5. Providing value-added services such as data enrichment (demographics, geocoding) and address enhancements (correction, ZIP + 4) to increase the utility of the data in the CIF.



Summary

As banks and other financial services providers enter the already-competitive insurance industry, how will your institution gain a competitive edge in the 90s? Many insurance companies have already begun to increase the effectiveness of their marketing, sales, client support, and administrative efforts through the use of Client Information File systems.

While the ultimate goal is to maximize the value of client relationships, significant challenges await you in the creation of accurate client profiles. As we have already examined, the required level of accuracy is too

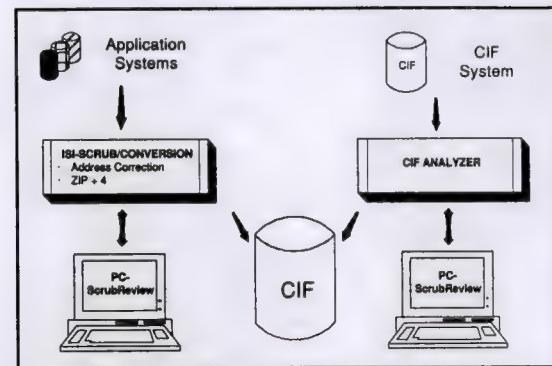
costly for individual companies to achieve on their own.

As you now know, Innovative Systems, Inc. is the world leader in assisting the insurance industry to effectively manage its retail and corporate data used in the creation of accurate CIF systems. Specifically, we specialize in software designed to reduce the cost involved in the scrubbing and matching of the client name and address information used to build accurate relationship profiles. At a higher level, ISI's diverse experience uniquely qualifies us to aid your company in understanding the rewards to be gained by moving to a client orientation, and to present the strategies that will best expedite your company's return on investment in client-based systems.

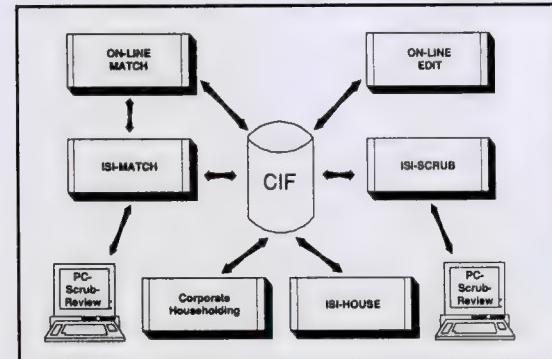
For over 20 years, ISI has assisted financial services firms to effectively plan the development, implementation and utilization of client file systems through better design, more efficient and accurate conversion, and maintenance of client data through our cross-industry specialization. With over 800 satisfied financial services clients, ISI has ensured the efficient and accurate conversion and ongoing maintenance of client information through the use of superior automated technology. The end result of such endeavors has been effective selling, marketing, and servicing of clients through the better use of client and prospect information. Our customers know that our software and experience has enabled them to reduce time and operational cost while providing them with the means to achieve their client-base objectives.

If your company is facing CIF implementation, we'll be happy to show you how to accurately convert in weeks, not years.

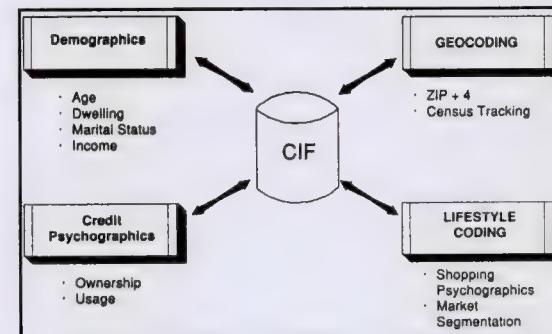
CIF Conversion & Analysis Products & Services



Data Management Tools for Ongoing CIF Maintenance



Data Enrichment Services



Over the past 25 years, Innovative Systems, Inc. (ISI) and the installation and maintenance of Client Information Files (CIFs) have become synonymous in the financial services industry. Whether CIFs are purchased from a major software vendor or built in-house, ISI's Client Information Management Software Technologies are the first choice of financial industry management.

Financial institutions around the world have looked to ISI for assistance building and implementing client information file systems. Our proven combination of products, services and experience have made us the *World Leader in Client Information Management*.

THE ISI FAMILY OF PRODUCTS

ISI offers a complete line of maintenance products to keep CIF information accurate and duplicate free. Regular and consistent use of these products, coupled with well-documented and enforced procedures will ensure that the information your institution relies on for good customer sales and service decisions remains accurate.

The **ISI-SCRUB/CONVERSIONSM** system -- reformats, standardizes, and corrects complex name and address data for loading to a Client Information File (CIF). Line types are identified and parsed into data elements such as name title, first name, last name, name suffix, and account description. Joint personnel accounts are split into a separate line for each customer, and personal names are gender coded. Records with potential errors are accurately identified for easy review and cleanup, thus eliminating costly manual error searching. The system also verifies and appends ZIP + 4 and carrier routes. After PC-based correction by ISI personnel of those flagged records in error, the CIF will be over 99 percent accurate.

The **ISI-MATCHTM** system -- accurately identifies duplicate client records with a CIF, despite misspelled, abbreviated, or missing data elements. The user's own matching standards determine which suspect duplicate records can be automatically merged

with no manual review and which others require further research. The **PC-MatchReview[®]** system is used to review suspect duplicates in a quick and efficient manner so duplicate client records can be eliminated within CIF. In addition, the **On-Line-MatchTM** system accepts client information on-line, compares the input to potential duplicate CIF records, and displays only high-quality matches to the person entering data or querying the CIF.

The **ISI-EDITTM** system -- helps maintain accurate name and address standards within a CIF or account application system. The callable system operates in an on-line mode to allow the "adds" and "changes" to CIF to be parsed and standardized prior to record creation. Input errors are easily identified, helping data entry personnel enforce consistent standards and maintain database integrity. The **ISI-SCRUBTM I** system with the **PC-ScrubReview[®]** system provides alternative batch editing capabilities for standardizing and parsing add and change transactions from off-line applications.

ISI's Householding Technology -- groups account and/or CIF name and address records into households. It allows the user to select the criteria to be used in determining what will constitute a household. It creates a unique household key for each family of records, which can be used as a linking mechanism for on-line CIF inquiry.

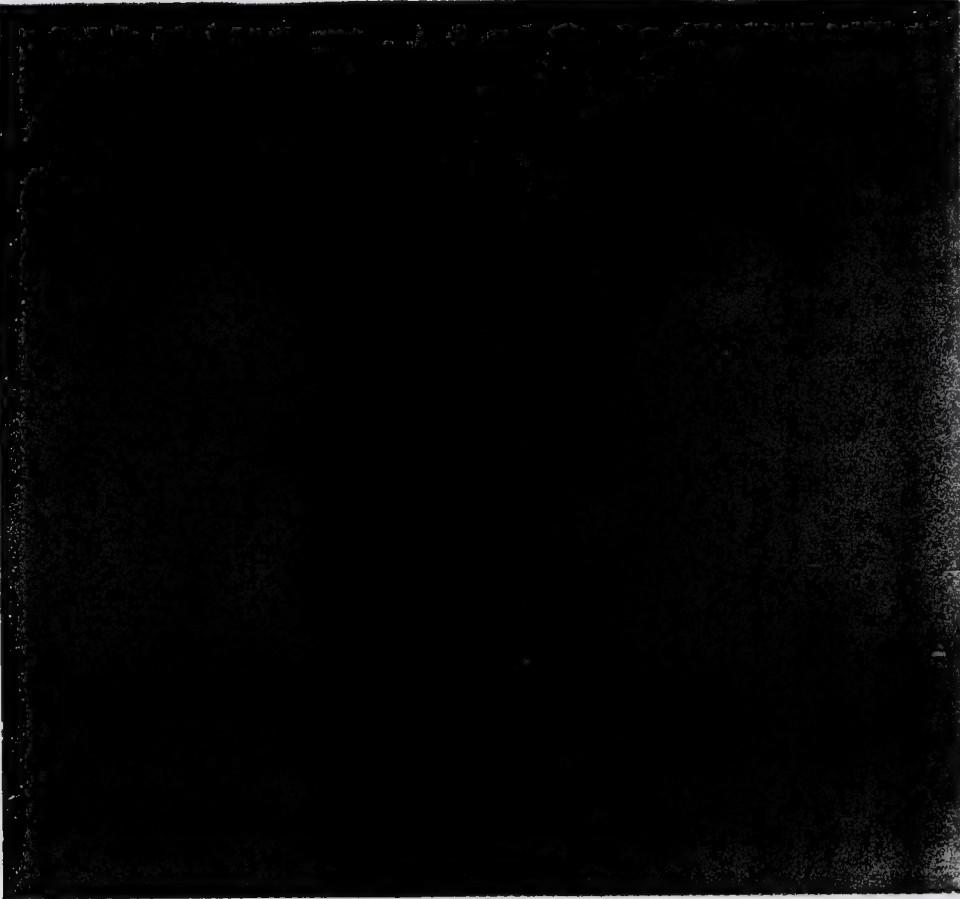
The **ISI ANALYZERTM** system -- evaluates the quality of the name and address data in an existing CIF and performs a reconciliation check of CIF data to the original account information. Through the system's data evaluation, conflicting records with a high potential for error are reported. Manual effort can then be focused on that subset of records that requires correction.

ISI's Corporate Householding Technology -- identifies related commercial records from internal account files, CIF system records, and third-party lists to create a corporate relationship and/or direct marketing file. It accurately locates potential duplicates despite variations in corporate name and address data. The system can be used to link related organizations in a hierarchy by "establishment" using

name and address information, and by "corporation" using name-only data.

DATMAN+™-- is a CIF quality assessment service that diagnoses the integrity of your CIF data and reviews the data management practices, policies, and procedures you have in place.

ISI Professional Services -- provides a full range of consulting services to maximize the return on your investment in ISI products.



Please **send** me more information on:

- The ISI-SCRUB/CONVERSIONSM system
- The ISI-MATCHTM system
- The PC-MatchReview[®] system
- The On-LineMatchTM system
- The ISI-EDITTM system
- ISI's Corporate Householding Technology
- I have an immediate need! Please call!
- The ISI-SCRUBTM I system
- The PC-ScrubReviewTM system
- ISI's Householding Technology
- ISI CIFANALYZER[®] system
- ISI Professional Services
- DATMAN+™

Mr. Mrs. Ms. Full Name (Please print) _____

Title _____

Firm _____

Street Address _____ Floor/Dept _____

City _____ State _____ ZIP _____

Phone (_____) Ext _____

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Pittsburgh, PA 15220-2187
412-987-9800 1-800-622-6390
Fax 412-987-9809

Innovative Systems, Inc.
Dukes Court, Duke Street
Woking, Surrey GU21 5BH UK
0483-730446
Fax 0483-730536



January 3, 1995

Mr. Richard Peterson
President
Impact, Inc.
37 Fairview Place
Upper Montclair, NJ 07043

Dear Rich:

Thank you for your interest in Innovative Systems, Inc. You will find that our extraordinary integrity and accuracy in the establishment and maintenance of both client and marketing databases sets us apart.

ISI has a number of software systems which develop both retail and corporate-based data by individual customer, household or corporate affiliation. Whether you're interested in building or migrating to a new Customer Information File (CIF), maintaining an existing system or seeking comprehensive marketing information, we can help. We'll show you how to do it quickly, cost-efficiently and with uncompromising accuracy. In other words, you can depend on ISI for the most widely used CIF consulting, software, and support in the world.

We also focus in the area of database design, architecture and construction. We can help you ensure that your system meets both current and long-term business needs in data content and organization, as well as computer and clerical resources.

I hope you find the enclosed information helpful. Again, thank you for your interest in Innovative Systems and SMS Consulting.

Sincerely,

A handwritten signature in black ink, appearing to read 'JoAnne'. Below the signature, the name 'JoAnne R. Wagner' is printed in a standard font, followed by 'Regional Manager' in a smaller font.

JoAnne R. Wagner
Regional Manager

JRW/slP
Enclosure

Innovative Systems, Inc.

SMS Consulting, Ltd



- Offices in U.S.A. and U.K.
- Clients in 18 Countries
- Over 800 Successful Projects in over 25 years
- Expertise in:
 - Banking
 - Insurance
 - Other Financial Services
 - Non-Financial Services

Innovative Systems, Inc.



What stands out about an ISI Client?

Relationship Management Framework



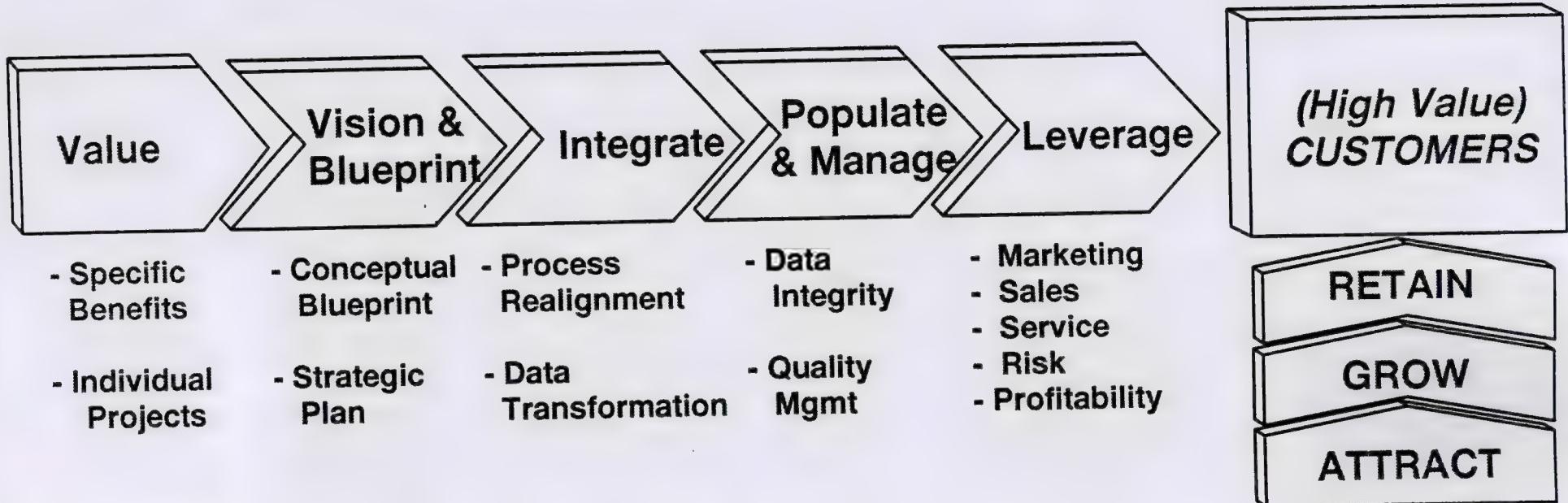
***What do our Clients tell us they Value
Most about ISI's Expertise?***

Relationship Management Framework

What does it really take to get there? →

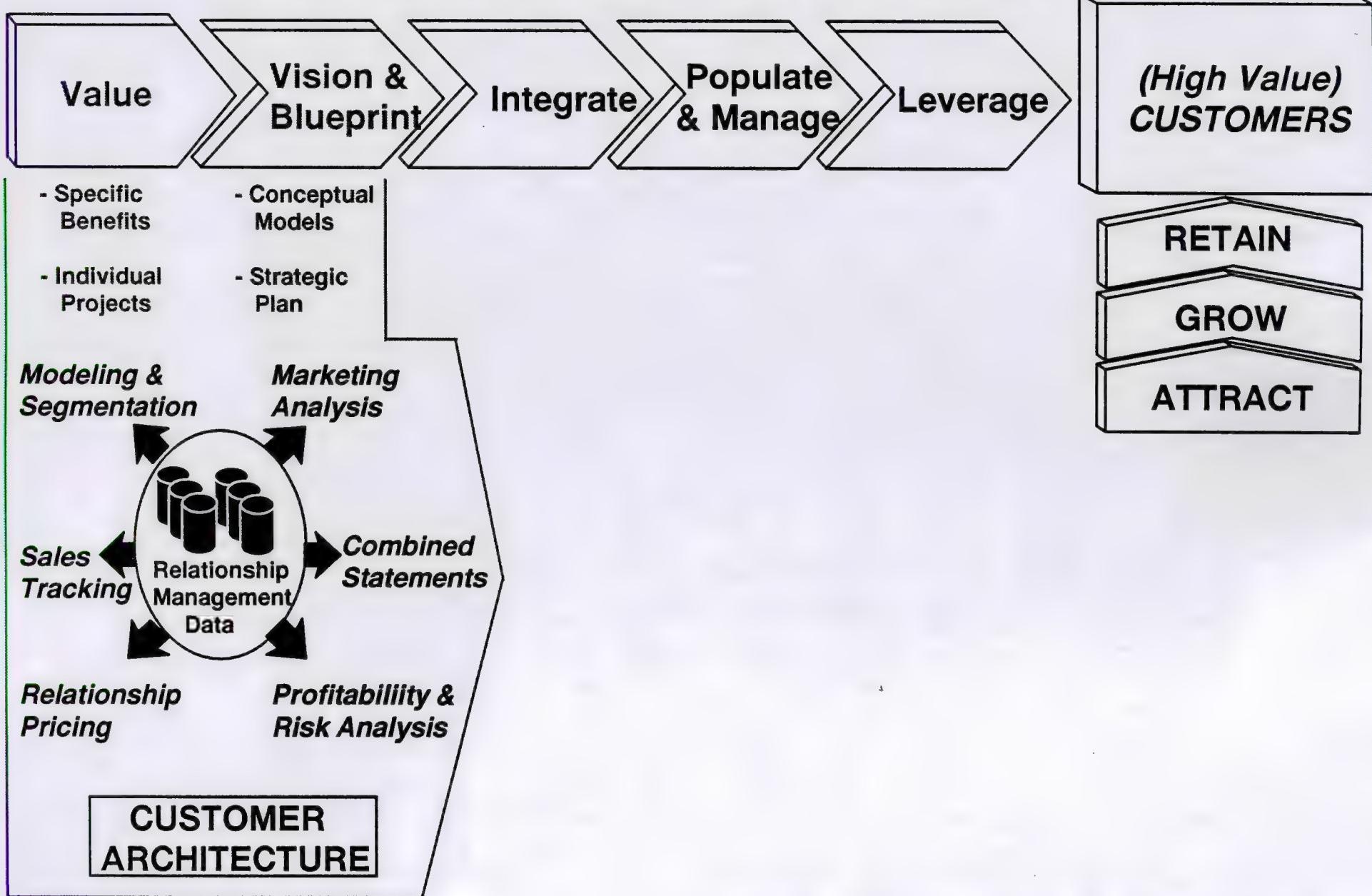


Relationship Management Framework

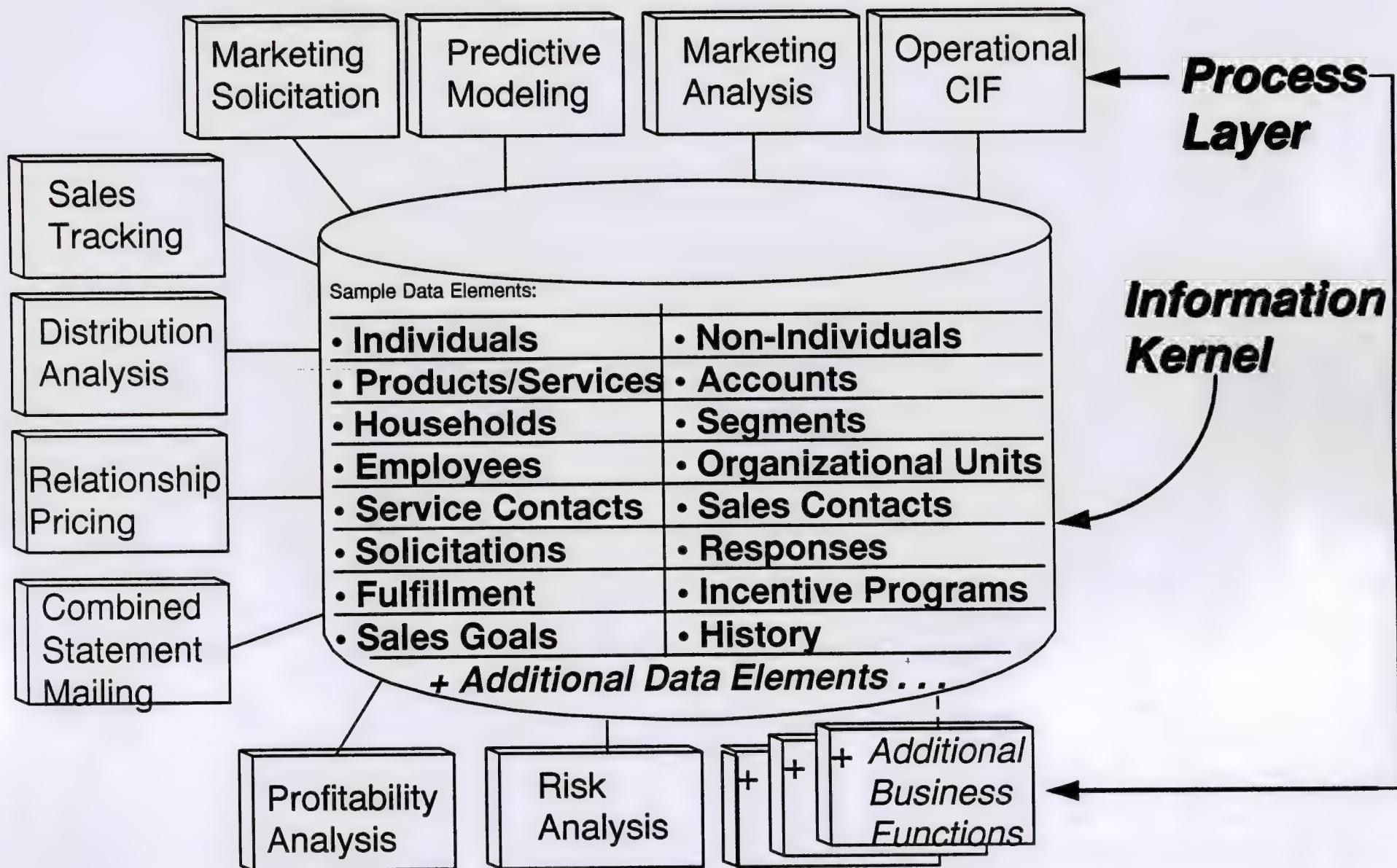


What does it really take to get there?

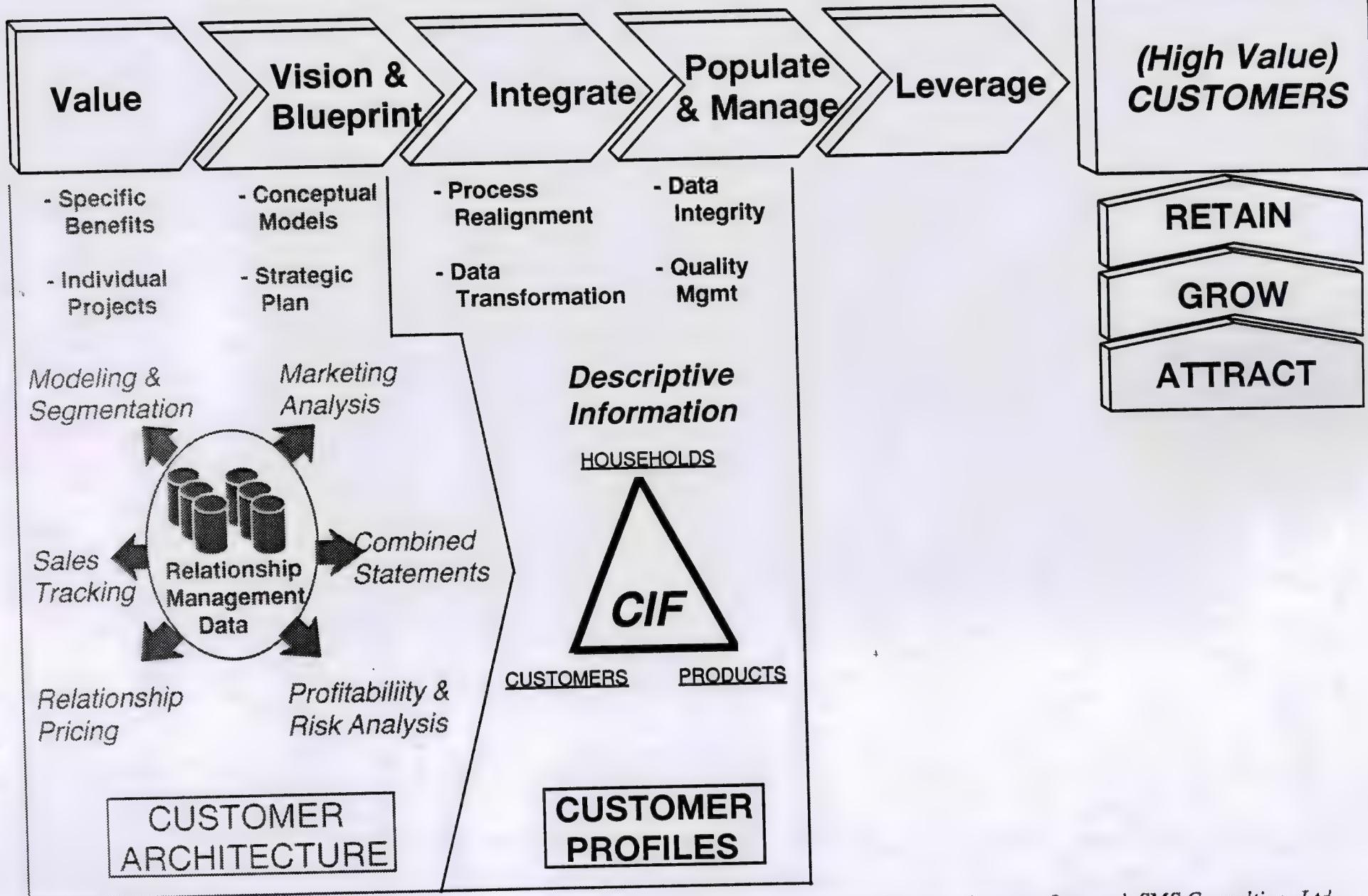
Relationship Management Framework



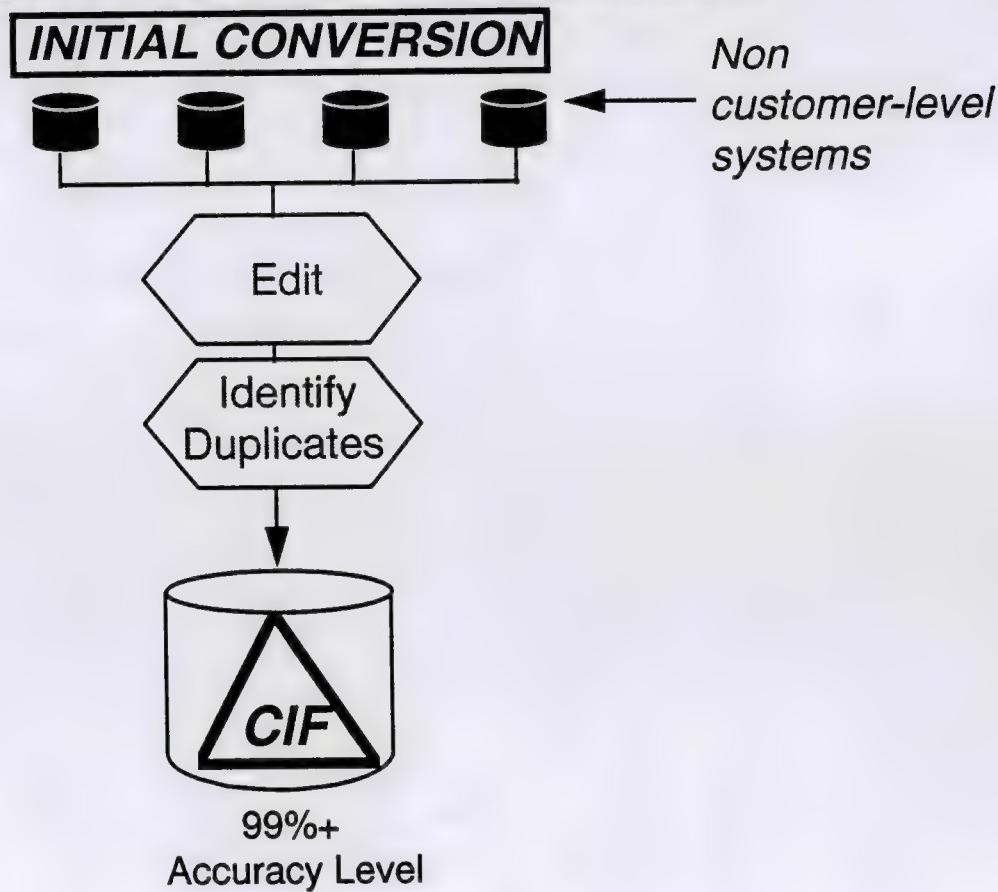
Relationship Management Architecture



Relationship Management Framework



Conversion & Quality Management



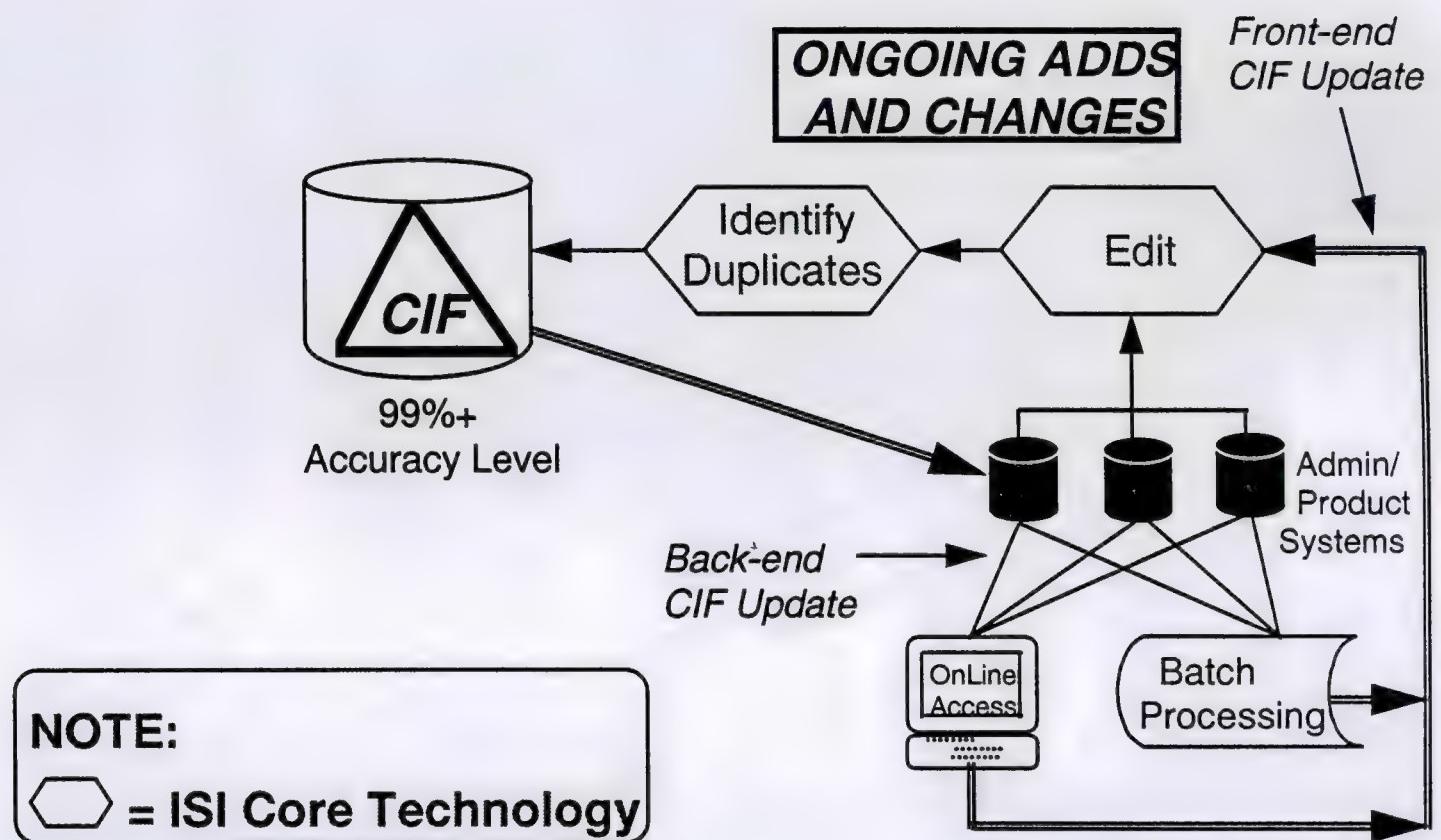
NOTE:



= ISI Core Technology

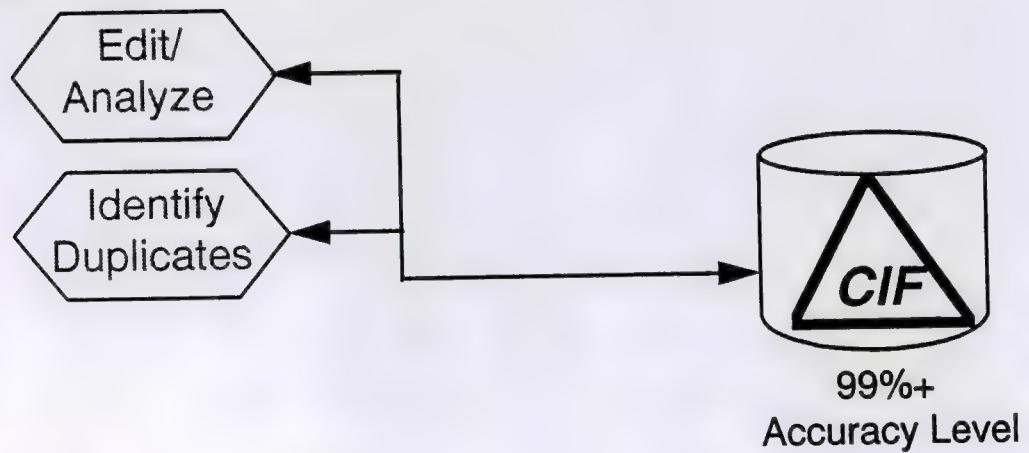
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Conversion & Quality Management



Conversion & Quality Management

MANAGE INTEGRITY

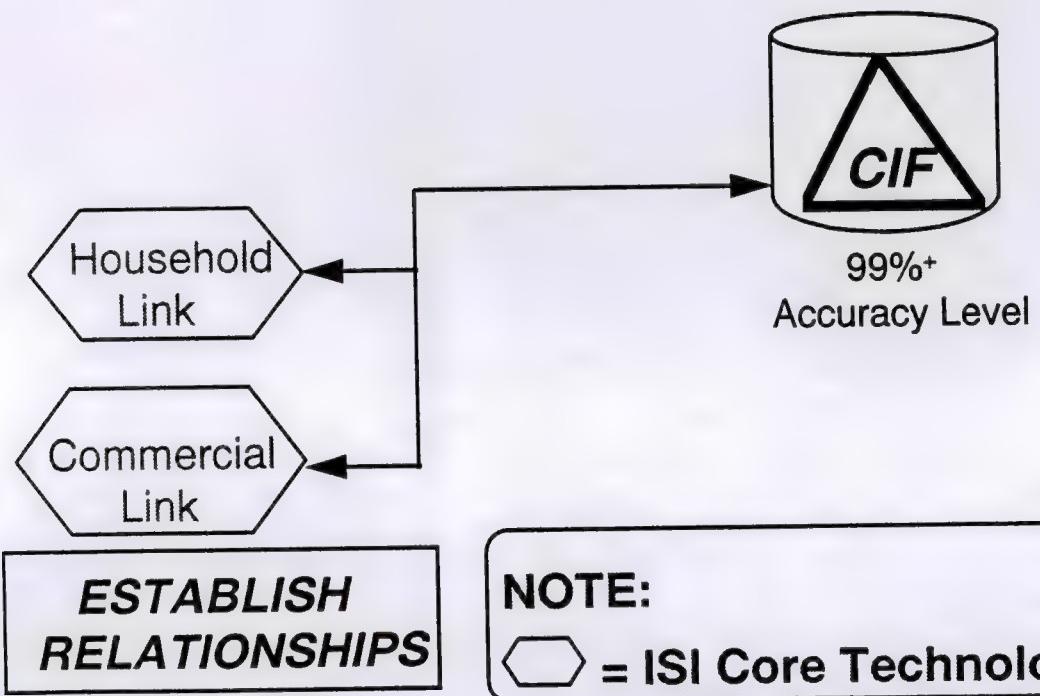


NOTE:



= ISI Core Technology

Conversion & Quality Management



COMPANY INFORMATION

Name CREATIVE AUTOMATION COMPANY

Address 220 Fenel Lane
Hillside, IL 60162-2098

Telephone 708-449-2800 (Voice)
708-449-2813 (Fax)

BUSINESS CHARACTERISTICS

Revenue 1994
\$17M

Growth Unknown

- Business from Data** • 95%
- Management (%)** • Provides a complete range of computer processing and database marketing services to direct marketers.
• This category does include modest revenue from a software product, Profiler, used for business-to-business merge/purge.

- Description of Other Businesses** • 5%
• Provides impact, laser, and ink jet personalization, continuous form bursting, and trimming and folding services.

- Rationale of Other Businesses** • These services are logical extensions of their business relationships with direct marketers.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
		• Vendor has a solid client base of high-volume direct marketers.		

Vertical Specialization	Markets	Offerings
	• Direct marketers. Vendor did note that they do only high volume (one million records per mailing)	• Database maintenance, list maintenance, predictive modeling, on-line database query, and response analysis.

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	75%	<ul style="list-style-type: none">• Provides NCOA, ZIP code correction and address standardization, barcoding, carrier route and five-digit postal presorting.
Merge/Purge	25%	<ul style="list-style-type: none">• Provides business-to-business, consumer, and Canadian merge/purge.• Profiler provides for standardization of address formats as pre-work to a typical merge/purge.
Enhanced List Creation		
Custom Database Creation		
Outsourcing		

BUSINESS PROCESS MANAGEMENT

- | | |
|------------------|---|
| Current | <ul style="list-style-type: none">• Provide horizontal, cross-industry services (timesharing-like)• Little evidence that business solutions are provided |
| Potential | <ul style="list-style-type: none">• In principle, this business could be focused & made application-oriented• Point needs direct discussions |

OTHER FACTORS

- | | |
|--|--|
| Technology
Advantages | <ul style="list-style-type: none">• Competent and effective use of technology. Not a trail blazer. |
| Consulting/Advisory
Services | <ul style="list-style-type: none">• Creative Automation is developing a test mailing practice that includes list selection, customized letter shop activities, response tracking, and post-analysis. |
| New Offerings
Planned | |
| Business/Technical
Partnerships | <ul style="list-style-type: none">• Creative Automation has a loose referral arrangement relationship with Fulfillment Corporation of America. |

FIT WITH D&B

- Firm shows evidence of successfully becoming more service-oriented
- Key issues & needs direct discussions

OWNERSHIP

- All of stock owned by John Fournier (President) & Pethinaidu Velvchamy (Vice President)

OVERALL ASSESSMENT

- Creative Automation is a typical high volume database management vendor with competitive technology.

Data Processing Solutions

for

Input

Prepared by Creative Automation

December 6, 1994

CREATIVE AUTOMATION

220 Fencl Lane
Hillside, IL 60162-2098

Phone: (708) 449 2800

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Introduction

Creative Automation seeks to establish a long term relationship with Input. We look forward to the opportunity to serve your database, merge-purge, address quality, and personalization needs. We are excited at the prospect of making our business relationship with Input grow.

This document contains a detailed description of all Creative Automation services which we feel would be appropriate for Input.

The first four sections provide an overview of our company history, who our clients are, how we service and support your account, and the security measures we take internally to protect your data. The balance of this document contains detailed descriptions of our direct mail services.

We hope you will come away from reading this with a better feel for how our various services can benefit you.

Our Philosophy of Service

At Creative Automation, we believe that a computer service company should provide top quality service in the day to day handling of your projects.

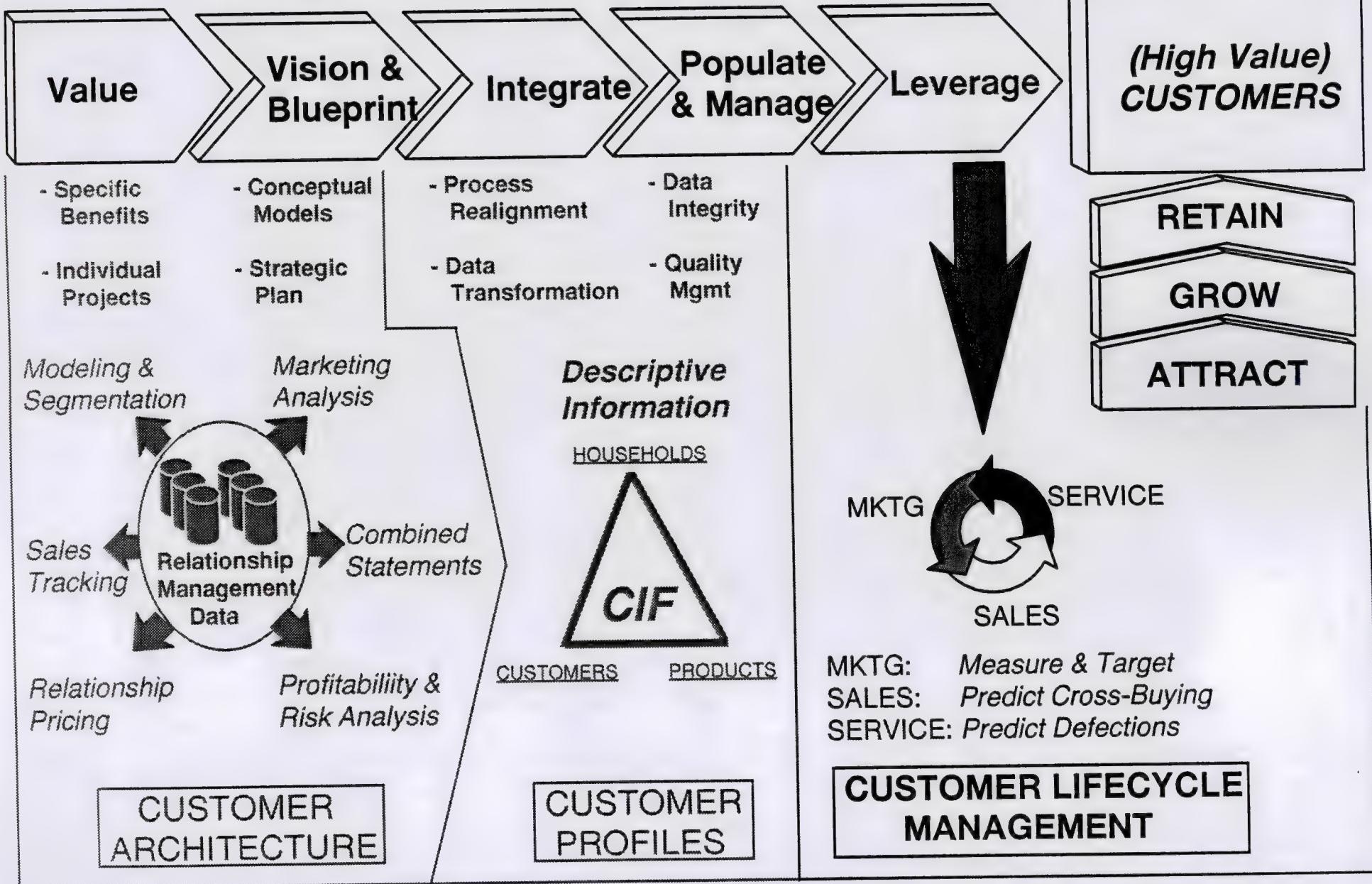
We are constantly looking toward the future, developing new ideas to improve our clients' direct mail promotions. As a Creative Automation client, you can expect us to be part of an ongoing dialogue with you to determine how to keep Input at the cutting edge of direct marketing concepts and technology.

The Elements of Success

In order to continue as a leader in the direct marketing industry, we place great emphasis on what we consider critical success elements:

- We are in the service business and customer satisfaction is our top priority.
- Our support personnel have many years of experience with data processing hardware and software.
- Creative Automation strives to be at the forefront of new developments in computer software and hardware for the direct mail industry. We place great emphasis on the needs of our customers and work to satisfy those needs efficiently and economically.

Relationship Management Framework



Customer Value & Investment Matrix

- Retention -

<i>Customer Group</i>	<i>Defection Liklihood</i>	<i>Current Value</i>	<i>Potential Value</i>	<i>Interventions and Marketing Programs</i>
1	Hi	Hi	Hi	AP, RC, CP, BR
2	Hi	Hi	Lo	AP, RC, BR
3	Hi	Lo	Hi	AP, RP, CP
4	Hi	Lo	Lo	None
5	Lo	Hi	Hi	AP, CP, BR
6	Lo	Hi	Lo	AP, BR
7	Lo	Lo	Hi	AP, CP
8	Lo	Lo	Lo	None

Key:

- AP = Anniversary Package**
- BR = Biannual Reward**
- CP = Cross-Sell Package**

- RC = Retention Call**
- RP = Retention Package**

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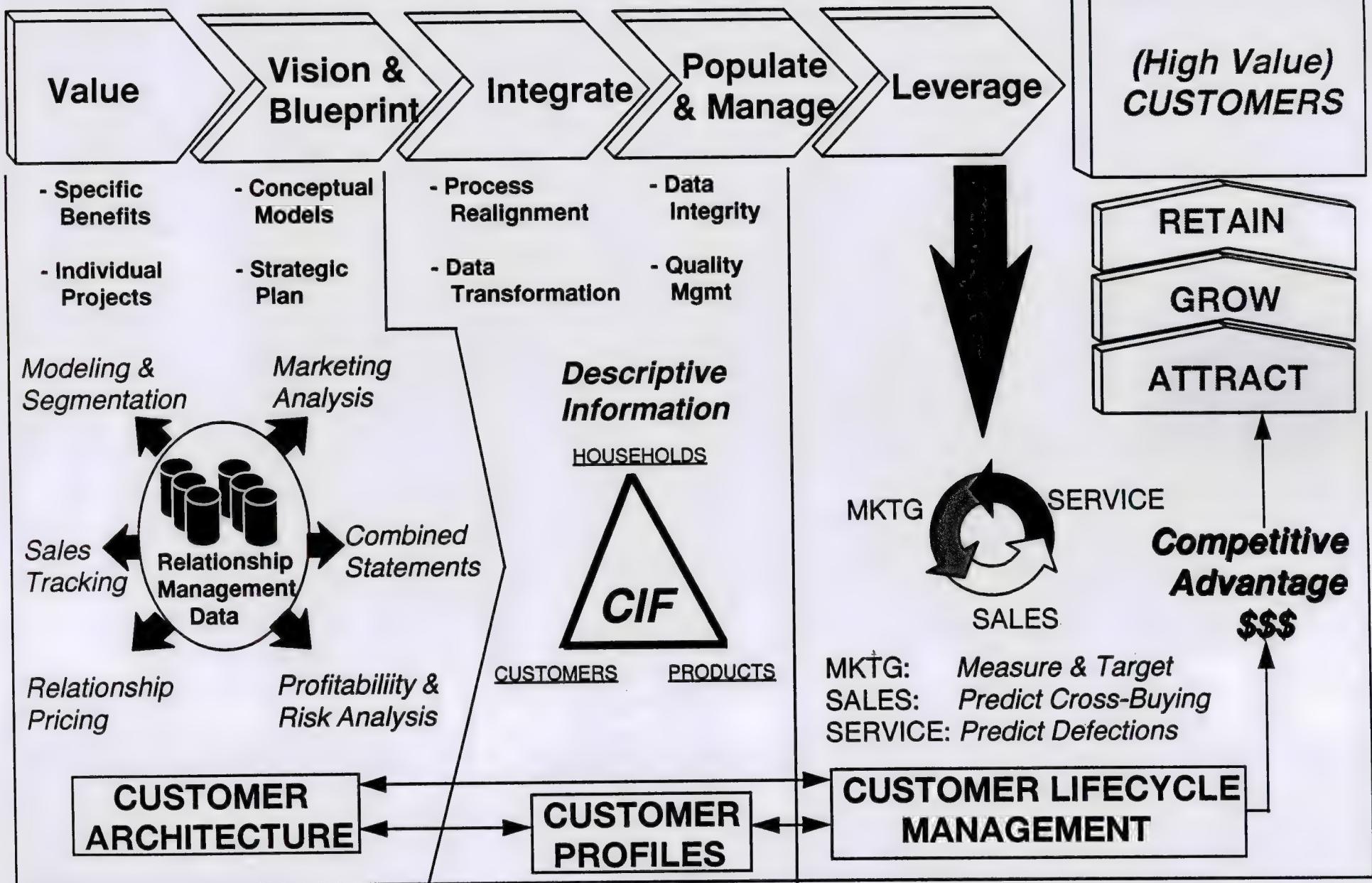
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Relationship Management Framework



***What do our Clients tell us they Value
Most about ISI's Expertise?***

Relationship Management Framework





INNOVATIVE SYSTEMS, INCORPORATED

790 Holiday Drive, Pittsburgh, PA 15220-8127 USA
Tel: 412-937-9300 1-800-622-6390 Fax: 412-937-9309

INNOVATIVE SYSTEMS INTERNATIONAL
Dukes Court, Duke Street, Woking, Surrey GU21 5BH UK
Tel: 0483-730446 Fax: 0483-730536

The Partial Client Roster

Aid Association for Lutherans
 Appleton, Wisconsin
Allied Irish Bank
 Dublin, Ireland
Allied Bank of Texas
 Houston, Texas
Allstate Insurance
 Northbrook, Illinois
American Express
 New York, New York
American Federal Savings & Loan
 Des Moines, Iowa
American National Bank & Trust
 Chicago, Illinois
Ameritrust of Cleveland
 Cleveland, Ohio
ANZ Banking Group
 Melbourne, Australia
Banco Comercial Portugues
 Lisbon, Portugal
Banco Popular de Puerto Rico
 San Juan, Puerto Rico
BancOhio
 Columbus, Ohio
Bank of America
 San Francisco, California
Bank of Boston
 Boston, Massachusetts
Bank of Delaware
 Wilmington, Delaware
Bank of Hawaii
 Honolulu, Hawaii
Bank of Ireland
 Dublin, Ireland
Bank of New York
 Harrison, New York
Bank of Nova Scotia
 Toronto, Ontario, Canada
Bank of the West
 San Francisco, California
Bank South
 Atlanta, Georgia
Bankers Trust Company
 New York, New York
Barclays Bank of California
 Santa Clara, California
Barnett Banks
 Jacksonville, Florida
Baybanks Data Services, Inc.
 Waltham, Massachusetts
Benham Financial Services
 Palo Alto, California
Boston Safe Deposit & Trust Co.
 Boston, Massachusetts
Broadbank New Zealand
 Auckland, New Zealand
California First Bank
 San Diego, California
Canadian Imperial Bank of Commerce
 Toronto, Ontario, Canada
Central Bank of Denver
 Denver, Colorado
Charles Schwab & Company, Inc.
 San Francisco, California
Chartered Trust
 Cardiff, Wales, U.K.
Chase Manhattan Bank, N.A.
 New York, New York
Citibank of Puerto Rico
 San Juan, Puerto Rico
Citicorp Mortgage, Inc.
 St. Louis, Missouri

Comerica, Inc.
 Detroit, Michigan
Commerce Union Bank
 Nashville, Tennessee
Commonwealth Banking Corporation
 Sydney, Australia
Continental Illinois National Bank & Trust
 Chicago, Illinois
Dean Witter Financial Services Group
 New York, New York
Dollar Dry Dock
 White Plains, New York
Dollar Bank
 Pittsburgh, Pennsylvania
Equitable Bank, N.A.
 Baltimore, Maryland
European American Bank
 Westbury, New York
FBS Information Services Corporation
 St. Paul, Minnesota
Fidelity Investments
 Boston, Massachusetts
Fiducie Desjardins
 Montreal, Quebec, Canada
Financial Information Trust
 Des Moines, Iowa
First Bank of Connecticut
 New Haven, Connecticut
First Interstate — Arizona
 Phoenix, Arizona
First Interstate — Denver
 Denver, Colorado
First Interstate — Washington
 Tukwila, Washington
First National Bank — Atlanta
 Atlanta, Georgia
First National Bank — Chicago
 Chicago, Illinois
First National Bank — Omaha
 Omaha, Nebraska
First Operations Resource
 Swedesboro, New Jersey
First Pennsylvania Bank
 Philadelphia, Pennsylvania
First Republic Bank of Midland
 Midland, Texas
First Security Bank of Utah
 Salt Lake City, Utah
First Tennessee Bank
 Memphis, Tennessee
First Virginia Services
 Falls Church, Virginia
First Wisconsin National Bank
 Milwaukee, Wisconsin
Fleet National Bank
 Providence, Rhode Island
Florida Federal
 St. Petersburg, Florida
Fulton Federal Savings & Loan
 Atlanta, Georgia
General Trust of Canada
 Montreal, Quebec, Canada
Great Western Bank
 Northridge, California
Harris Bank
 Chicago, Illinois
Hibernia National Bank
 New Orleans, Louisiana
Home Federal of California
 San Diego, California
Horizon Financial Corporation
 Philadelphia, Pennsylvania

*Innovative
Systems, Inc.
- The World
Leader in
Client
Information
Management*

Household Bank, Federal Savings Bank
 Prospect Heights, Illinois
 Indian Head Data Services, Inc.
 Nashua, New Hampshire
 Irish Permanent Building Society
 Dublin, Ireland
 Key Services
 Albany, New York
 LaSalle National Bank
 Chicago, Illinois
 Long Island Savings
 Syosset, New York
 Maine Savings Bank
 Portland, Maine
 Marine National Bank
 Wildwood, New Jersey
 Marine National Exchange Bank
 Milwaukee, Wisconsin
 Marshall and Ilsley Bank
 Milwaukee, Wisconsin
 Maryland National
 Baltimore, Maryland
 MBank
 El Paso, Texas
 Mechanics Bank
 Richmond, California
 Midland Bank
 London, England, U.K.
 Mellon Bank
 Pittsburgh, Pennsylvania
 Midlantic National Bank
 West Orange, New Jersey
 MTECH
 Chicago, Illinois
 National Australia Bank
 Melbourne, Australia
 National Bank of Georgia
 Atlanta, Georgia
 National City Bank of Cleveland
 Cleveland, Ohio
 National Trust
 Stratford, Ontario, Canada
 New Jersey National Bank
 Trenton, New Jersey
 New York Life Insurance Co.
 New York, New York
 North Carolina National Bank
 Charlotte, North Carolina
 Norwest Information Services Co.
 Minneapolis, Minnesota
 Ohio Savings Association
 Cleveland, Ohio
 Old Kent Financial Corporation
 Grand Rapids, Michigan
 Old Stone Bank
 Warwick, Rhode Island
 Philadelphia National Bank
 Philadelphia, Pennsylvania
 Provident National Bank
 Philadelphia, Pennsylvania

Putnam Trust Company
 Greenwich, Connecticut
 Rhode Island Hospital Trust
 Providence, Rhode Island
 Riggs National Bank
 Washington, District of Columbia
 Royal Trust of Canada
 Toronto, Ontario, Canada
 Scudder Fund Distributors
 Boston, Massachusetts
 Seafirst Bank
 Seattle, Washington
 Shawmut Bank of Boston
 Boston, Massachusetts
 Shearson Lehman, American Express, Inc.
 New York, New York
 Signet Bank
 Baltimore, Maryland
 Society Corporation
 Cleveland, Ohio
 South Carolina National Bank
 Columbia, South Carolina
 Southwest Florida Banks, Inc.
 Fort Myers, Florida
 Sovran Bank
 Richmond, Virginia
 State Bank of South Australia
 Adelaide, Australia
 State Street Bank & Trust Co.
 Boston, Massachusetts
 SunTrust Data Corporation
 Atlanta, Georgia; Orlando, Florida
 Sunwest Bank of Albuquerque, N.A.
 Albuquerque, New Mexico
 Texas American Services
 Fort Worth, Texas
 The Vanguard Group
 Valley Forge, Pennsylvania
 Third National Bank
 Nashville, Tennessee
 Toronto Dominion Bank
 Toronto, Ontario, Canada
 Twin City Federal
 Minneapolis, Minnesota
 Union Bank of California
 Los Angeles, California
 Union Trust of Connecticut
 Bridgeport, Connecticut
 United Carolina Bank
 Monroe, North Carolina
 United Missouri Bank
 Kansas City, Missouri
 United Penn Bank
 Wilkes-Barre, Pennsylvania
 UNUM Life Insurance
 Portland, Maine
 USAA Financial Services Co.
 San Antonio, Texas
 Zions National Bank of Utah
 Salt Lake City, Utah



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ISI INTERNATIONAL, INC.
 Dukes Court, Duke Street, Woking, Surrey GU21 5BH UK
 Tel: 0483-730446 Fax: 0483-730536

Company History

Creative Automation is a 26 year old firm with a solid financial position which allows us to upgrade equipment, hire and retain highly qualified staff, and expand as necessary to maintain our leading edge position in the direct mail computer service field. Rapidly changing technology and customer needs call for adaptability and innovation. Creative Automation earns tops scores on both counts.

At Creative Automation we design and develop our own state of the art software systems. This allows us to be a leader in new technologies and services for the direct marketing industry.

Our customers range from small and medium sized organizations to nationally renowned firms in a variety of industries. Our primary markets are publishers, non-profit organizations, financial institutions, catalog marketers, and retailers, serving both business and consumer markets in North America.

We have a staff of 200 associates, including an outstanding array of analysts, programmers, marketing service representatives, data transmission specialists and other technicians, all with experience in direct marketing systems and services.

Client Information

Creative Automation has an extensive track record in providing direct marketing computer services to...

- Publishers
- Fund raising and non-profit organizations
- Insurance and financial service companies
- Catalogers
- Agencies and brokers

For publishers we perform database marketing, data enhancement and modeling services, address quality improvement, merge-purge, output panel selections, presort and personalization services for new subscription solicitation and house file mailings. Our clients include twenty of the top one hundred magazine publishers in the nation, including Money Magazine, McCall's, Family Circle, Martha Stewart Living and Outside Magazine. We also work with American Family Publishing, a leading stampsheet agency.

Fund raising and non-profit clients include Smithsonian Institution Press, The Cystic Fibrosis Foundation, National Wildlife Federation, The Alzheimer's Foundation, and Holocaust Memorial Museum. For these organizations, we provide list maintenance, list rental fulfillment, address quality improvement, merge-purge, output panel selections, presort for non-profit discounts, and personalization services for donor solicitation mailings.

Our extensive personalization capabilities are heavily used by clients in the insurance and financial services areas, including Discover Card Services, JCPenney Life Insurance, AON and Mass Mutual Insurance.

In the catalog industry, our clients use data enhancement and modeling services, deliverability improvement, merge-purge, panel selection and presort. Our extensive experience with many of the largest catalog printers makes for quality communication with manufacturing, binding and distribution departments of catalog producers. Clients include Popular Club Plan, Reiman Associates, Gander Mountain, Aldus, Symantec and Dupont.

We look forward to welcoming Input to our client family.

Service and Support

Constant communication between our departments provides customers with the support they need. The duties and responsibilities of each department are described below. Your client team is comprised of representatives from each of these departments.

Sales and Marketing Department

Located in both Creative Automation sites, the sales and marketing team is responsible for managing the ongoing relationships with current clients and acquiring new clients. Associates are positioned in vertical markets to provide clients with a thorough knowledge of direct mail within each industry. Sales and marketing associates recommend approaches and solutions that are specific to each customer's direct marketing needs.

Marketing Services Department

The Marketing Services Department is staffed by approximately twenty experienced individuals. Like the sales department, marketing services associates are divided into vertical market groups. The marketing services representative is the primary interface to our clients on a daily basis. They set up, monitor and audit all direct mail projects. Our marketing services representatives respond immediately to client inquiries.

Research and Development Department

The Creative Automation Research and Development team is responsible for developing new products and services. This group is proactive in providing enhancements to current services and customized features for clients.

Computer Operations Department

This department manages our data center facilities. The staff maintains system availability and operates the computers and other processing and communications equipment.

Security

Data Security

From the time we receive the first information about the arrival of your files, Creative Automation audits every processing step meticulously and you receive status reports.

Using Creative Automation's computer controlled security system, our tape library staff receives, identifies, and logs the incoming lists. They initiate the necessary control files, and activate all security and control procedures. After that, the only individuals who have access to your files are those Creative Automation employees who are directly responsible for your processing.

Site Security

The data center is located in an enclosed complex. We require every visitor to the complex to sign in and out. Data center access is restricted to authorized personnel only. Each of these individuals is issued a magnetic pass card encoded with his or her permitted hours of access. A computer controls the automatic doors and every entry point throughout the data center.

Data Back Up

Creative Automation uses IBM's Hierarchical Storage Manager (HSM) to back up files every day.

We copy all disk resident data to magnetic tape weekly. The copy process creates two identical sets of tapes. We store one set off site in a secure vault. The second set remains in Creative Automation's data center for five weeks.

Back Up

We have battery and diesel back up power on site to ensure uninterrupted computer operations.

Consumer Merge-Purge

Creative Automation's proprietary merge-purge is among the most accurate and flexible in the direct marketing industry. You benefit when you use our service:

- You get the personal attention of an experienced team who know what questions to ask and how to get the exact result you want.
- You will reduce the cost and embarrassment of mailing duplicates.
- You will increase sales by mailing names which other systems incorrectly identify as duplicates.
- You have a choice of input, output, and useful processing options.
- You can see the results of your merge-purge in great yet clear detail. You can limit reporting to the essentials. Our reporting package is the most thoughtful and complete in the business.

Input List Conversion

- Creative Automation supports the following input devices and formats:
 - 3480 cartridge tapes, standard or IDRC formats
 - Standard reel tape, 6250 or 1600 BPI
 - IBM and Apple personal computer diskettes, 3.5" and 5.25", any density.
 - Others, please ask.
- We convert lists as soon as we receive them — usually within twenty-four hours — so as to identify problems early.
- We can handle special requirements, such as character translations, variable length records, and blocked spanned records. We prefer fixed record, fixed block EBCDIC files.
- We flag and retain invalid records for later correction or deletion during merge-purge processing.

Merge-Purge Features

- Creative Automation's proprietary software corrects and standardizes address elements prior to matching to assure optimum duplicate identification:
 - Arranges address to US Postal service standards.
 - Corrects limited spelling errors, such as letter transpositions.
 - Prepares phonetic equivalents of common misspelled sounds, such as "ph" for "f."

- The system uses these changes internally, but retains the original form of the address for mailing.
- Our unique merge-purge can accommodate up to 4095 lists in a single input run.
- We can assign list keys up to seven characters long and change them any time before the merge-purge process begins.

Preprocessing Options

Creative Automation encourages Input to consider ordering the following procedures before merge-purge processing.

- We strongly recommend using our US Postal CASS certified process to correct and standardize ZIP codes, city names, and state names. Choosing this option generally achieves better matching, deeper automation postal discounts, and improved response.
- We also recommend the US Postal Service National Change of Address processing to enable you to reach movers and to eliminate from your mailings those who left no address.
- You may add demographic information from our exclusive Address Analysis system.

Selection and Suppression

You may specify selection or suppression in the merge-purge as follows:

Geography

- State code suppression and selection option allows up to nine state code groupings.
- ZIP code suppression and selection option allows up to 16 ZIP groupings, and default options when no match occurs. We input or you supply ZIP files.
- We recommend suppressing APO/FPO addresses and prison addresses from most prospect mailings.

Client Suppress Files

- Suppress (any number of files) or flag (up to eight unique flags)
- Reporting is by list number and flag.
- Eliminate competitors, "no mail" requesters, or offer abusers with high confidence by selecting our unique Address Block suppression feature.

Special Suppress Files

- Suppress or flag up to eight previous mailing files.
- We encourage clients to apply the Direct Marketing Association's Mail Preference Service pander suppression file at no charge. There is a nominal charge to apply the Telephone Preference Service suppression.

Flag Drops

Drop records during merge-purge based on any flag in input list.

Merge-Purge Process

Our merge-purge process compares each record within a ZIP code to all other records in the ZIP

Comparison Elements

- | | |
|-------------------------|---|
| • <i>Personal Name</i> | First and last name, middle initial, prefix, suffix, gender |
| • <i>Street Address</i> | Street name and number |
| • <i>Unit</i> | Apartment number, suite, etc. |
| • <i>Rural Address</i> | Rural route and PO Box number |

Matching Options

- | | |
|----------------------------------|--|
| • <i>Household</i> | The system selects one record, regardless of name, from each identifiable household. |
| • <i>Household and last name</i> | The system selects one record from each last name within a household. |
| • <i>Individual</i> | The system selects one record for each identifiable individual within a household. |

Priority

- You may specify priorities to determine which list receives "credit" for each multi-buyer.
- You may define list groups, each with a major priority. Within a group, individual list members may have a unique priority, or you may choose to have us assign duplicates proportionately across the lists they appear in.

List Families

We support list family definitions. The merge-purge identifies duplicates across lists in a family as internal duplicates rather than as multi-buyers.

Late Lists

We can handle last minute additions and corrections of alternate lists, prior mail suppress files and other files with no additional preprocessing required.

Merge-Purge Reports

All merge-purge reports are optional. Tell us what you want to see.

Activity Reports

- *List Summary*

Activity by list:

Input errors
State/ZIP drops
Mail preference drops
Customer suppress drops
Prior mail suppress drops
Multi-buyers dropped and kept
Total net names

- *State Activity*
- *Broker Report*
- *Edit Listing*
- *Special Edit Listing*
- *Drop Listing*

Activity by state within list, as above
Activity by list within broker
Sample of edit error records dropped
Sample of user edit error drops
Sample of duplicate sets

Merge-Purge Duplicate Matrix Reports

- *Duplicate Matrix*
- *Duplicate Stratification*
- *Multi-buyer Occurrences*

Detailed report showing counts and percentages of names for each list that matched each other list.

Summary of duplicate matrix report by list and by descending match percentages. Many clients find this format easier to use.

Number of times each multi-buyer combination occurred. Compares

priorities you assigned with equal apportionment method.

Merge-Purge Suppress Matrix Reports

- *Suppress Matrix* Detailed report of counts and percentages of names for each list that matched a suppress file.
- *Suppress Stratification* Summary of suppress matrix by list and match percentage. May be easier to use.

Business Address Profiler

The Profiler system is a proprietary software program specifically designed for business mailers. It analyzes and identifies the name, title, and address elements, greatly enhancing merge-purge matching and providing useful information about each record. It uses a large data dictionary to identify data elements and to provide correction and coding to the records.

The Profiler's Function

The Profiler System analyzes converted data elements to identify

- Business name
- Personal name
- Individual and functional titles
- Addresses, including buildings, floors, and mail stops
- Place names, and more.

It provides demographic codes based on the elements, including organizational hierarchy and functional title codes, which you may wish to use to enhance the targeting of your campaign.

The system also corrects a common failing of business records. Items that appear to be missing, such as business name, may be mislocated in an address or personal name field. If Profiler can find and verify these missing elements, it relocates them to their proper fields to enhance matching capabilities and letter presentation.

Profilers data dictionary now contains over one million distinct pieces of information to help define each major address element. The data dictionary contains business keywords or phrases, business title descriptions, male and female first names, street address information, and demographic codes.

Profiler identifies, codes and moves names, addresses and titles with an accuracy rate of over 99%. The accuracy will increase as we continue to add to Profiler's data dictionary.

Data Identification

The Profiler identifies the following data elements:

Business name

- Parent company, division, non-generic departments
- Personalized business name, such as "John Smith Construction"

Business title

- Personal/functional title data
- Generic staff titles, including certain departments, such as "Accounting Department"

Personal name

- Some demographic code values are available, such as "DR" and "MD"

Address

- Primary and street address
- Secondary delivery info, such as "apt.," "bldg.," "room"
- Delivery instructions, such as "Leave at the door"

Miscellaneous

- Attention, care of

To improve element identification, the software standardizes words, phrases and acronyms. For instance, it explodes "IBM" into "International Business Machines" and corrects the transposition in "Consturction" to "Construction". It can also make these changes in the output record, but normally retains the original form of the data for mailing.

The system produces an output report which shows the overall profile of each input list. This report shows each major data field, and whether it was blank, verified as correct, or possibly incorrect. This helps the programmer identify any conversion or layout inconsistencies and also gives some indication of the quality of each list.

Demographic Codes

Profiler appends demographic codes associated with any of the following data elements:

- Business name
- Division name
- Business title
- Personal name
- Address fields
- Place names
- Postal ZIP+4 file
- Delivery information

Profiler's demographic codes can provide you with organizational hierarchy and functional title descriptions to target more effectively within each company.

Organizational Hierarchy Values

The organizational hierarchy identifies a person's relative position within the organization. Profiler standardizes each position and assigns a priority value, such as Owner=001, Vice President=010, Clerk=125. You may use these values to select, suppress, assign keycodes or to prioritize your mailing list:

001	Owner
002	Chief Executive Officer (CEO)
003	Chief Financial Officer (CFO)
004	Chief Information Officer (CIO)
005	Chief Operating Officer (COO)
006	Chairman of the Board
007	President
008	Executive Vice President
009	Senior Vice President
010	Vice President
011	Treasurer
012	Director
013	Manager
014	Sales
015	Secretary
016	Programmer
017	Technician
.	
.	

125 Clerk

Functional Title Values

A functional title description defines a person's duties within the organization. Profiler uses generally recognized business standards to categorize organizational functions. You may use these values for selection, suppression and prioritizing mailings:

- 001 Executives
- 002 Middle Management
- 003 Sales/Marketing
- 004 Accounting/Billing
- 005 Purchasing
- 006 Secretarial
- 007 Programming
- 008 Technical
- 009 Data Processing
- 010 Manufacturing
- 011 Operational

Business to Business Merge-Purge

Creative Automation's proprietary merge-purge is among the most accurate and flexible in the direct marketing industry. You benefit when you use our service:

- You get the personal attention of an experienced team who know what questions to ask and how to get the exact result you want.
- You will reduce the cost and embarrassment of mailing duplicates.
- You will increase sales by mailing names which other systems incorrectly identify as duplicates.
- You have a choice of input, output, and useful processing options.
- You can see the results of your merge-purge in great yet clear detail. Or you can limit reporting to the essentials. Our reporting package is the most thoughtful and complete in the business.

Input List Conversion

- Creative Automation supports the following input devices and formats:
 - 3480 cartridge tapes, standard or IDRC formats
 - Standard reel tape, 6250 or 1600 BPI
 - IBM and Apple personal computer diskettes, 3.5" and 5.25", any density.
 - Others, please ask.
- We convert lists as soon as we receive them — usually within twenty-four hours — so as to identify problems early.
- We can handle special requirements, such as character translations, variable length records, and blocked spanned records. We prefer fixed record, fixed block EBCDIC files.
- We flag and retain invalid records for later correction or deletion during merge-purge processing.

Merge-Purge Features

- Creative Automation's proprietary software corrects and standardizes address elements prior to matching to assure optimum duplicate identification:
 - Uses Profiler address element codes to identify corresponding elements in two or more records.
 - Arranges address to US Postal service standards.
 - Corrects limited spelling errors, such as letter transpositions.

- Prepares phonetic equivalents of common misspelled sounds, such as "ph" for "f."
- The system uses these changes are used internally, but retains the original form of the address for mailing.
- Our unique merge-purge can accommodate up to 4095 lists in a single input run.
- We can assign list keys up to seven characters long and change them any time before the merge-purge process begins.

Preprocessing Options

Creative Automation encourages Input to consider ordering the following procedures before merge-purge processing.

- We strongly recommend using our US Postal CASS certified process to correct and standardize ZIP codes, city names, and state names. Choosing this option generally achieves better matching, deeper automation postal discounts, and improved response.
- We also recommend the US Postal Service National Change of Address processing to enable you to reach movers and to eliminate from your mailings those who left no address.
- We suggest you use the demographic codes from the Business Address Profiler (see preceding section) to track and to target your mailing through the selection and suppression options below. The business merge-purge requires Profiler processing, so these codes are always available to you.
- Data overlay, including company size and SIC code information, is also available for targeting and tracking.

Selection and Suppression

You may specify selection or suppression in the merge-purge as follows:

Geography

- State code suppression and selection option allows up to nine state code groupings.
- ZIP code suppression and selection option allows up to 16 ZIP groupings, and default options when no match occurs. We input or you supply ZIP files.

Client Suppress Files

- Suppress (any number of files) or flag (up to eight unique flags).
- Reporting is by list number and flag.

- Eliminate competitors, "no mail" requesters, or offer abusers with high confidence by selecting our unique Address Block suppression feature.

Special Suppress Files

- Suppress or flag up to sixteen previous mailing files.
- We encourage clients to apply the Direct Marketing Association's Mail Preference Service suppression file at no charge. There is a nominal charge to apply the Telephone Preference Service suppression.

Flag Drops

Drop records during merge-purge based on any flag in input list.

Merge-Purge Process

Our merge-purge process compares each record within a ZIP code to all other records in the ZIP

Comparison Elements

- | | |
|-------------------------|---|
| • <i>Business Name</i> | Significant words in business name |
| • <i>Personal Name</i> | First and last name, middle initial, prefix, suffix, gender |
| • <i>Street Address</i> | Street name and number |
| • <i>Unit</i> | Apartment number, suite, etc. |
| • <i>Rural Address</i> | Rural route and PO Box number |

Matching Options

- | | |
|---|--|
| • <i>Location</i> | The system selects one record, regardless of company name, title, or individual, from each unique address. |
| • <i>Business Location</i> | The system selects one record, regardless of individual name or title, from each identifiable business location. |
| • <i>Employee</i>
<i>(Individual or title)</i> | The system selects one record for each identifiable individual within a business location. For a record with |

no individual name, it uses the title.

See also the special option to select preferentially records with an individual name over those without, in the section on priority.

Priority

- You may specify priorities to determine which list receives "credit" for each multi-buyer, and which version of the duplicate record is passed to the output.
- You may define list groups, each with a major priority. Within a group, individual list members may have a unique priority, or you may choose to have us assign duplicates proportionately across the lists they appear in.
- A special option allows the system to select a record containing an individual name when it is matched against a record with no name, overriding assigned list priorities if necessary.

List Families

We support list family definitions. The merge-purge identifies duplicates across lists in a family as internal duplicates rather than as multi-buyers.

Late Lists

We can handle last minute additions and corrections of alternate lists, prior mail suppress files and other files with no additional preprocessing required.

Merge-Purge Reports

All merge-purge reports are optional. Tell us what you want to see.

Activity Reports

- *List Summary*

Activity by list:

Input errors
State/ZIP drops
Mail preference drops
Customer suppress drops
Prior mail suppress drops
Multi-buyers dropped and kept
Total net names

- *State Activity*

Activity by state within list, as above

- *Broker Report* Activity by list within broker
- *Edit Listing* Sample of edit error records dropped
- *Special Edit Listing* Sample of user edit error drops
- *Drop Listing* Sample of duplicate sets

Merge-Purge Duplicate Matrix Reports

- *Duplicate Matrix* Quantities and percentages of names for each list that matched each other list.
- *Duplicate Stratification* Same information as duplicate matrix but format may be easier to use.
- *Multi-buyer Occurrences* Number of times each multi-buyer combination occurred. Compares priorities you assigned with equal apportionment method.

Merge-Purge Suppress Matrix Reports

- *Suppress Matrix* Quantities and percentages of names for each list that matched a suppress file.
- *Suppress Stratification* Same information as suppress matrix but format may be easier to use.

Master Mind System

Creative Automation's proprietary Master Mind software identifies chronic non-responders to Input's offer, allowing you to reduce mailing costs and increase response. Depending on how you use it, you can achieve these improvements with no loss or minimal loss of total revenue.

In businesses with a limited mailing universe like yours, we recommend using Master Mind to do the following:

- Identify how many times each person in your current mailing universe has received your offer.
- Identify how long since you last mailed each person in your universe.
- Measure the relationship between the recency and frequency of mailings and subsequent response, by source list.
- Define the break-even point for each source list in terms of the recency and number of previous mailings.
- Use the definition to save mailing costs and increase response by suppressing these unresponsive individuals from future mailings.

Master Mind builds a master file from your mailing universe, including both mailed names and responses. The system stores every record mailed, as well as every response received, as a non-mailable extract of the original record. Because the address information saved is an extract, this process does not violate list rental agreements or compromise the integrity of any owner's mailing list.

Our experience with Master Mind has shown that the relationship between the recency and frequency of previous mailings has a significant effect on current campaigns. The Master Mind system accurately identifies and reports these two variables, thus enabling you to locate the point of diminishing returns for your particular direct mail promotions.

Since each mailing list is different in terms of how well it performs for your offer, each list will also be different as to how deep you can go with it using the Master Mind variables of recency and frequency. For example, you may be able to mail a record from 'List A' in the current campaign and still find it profitable, even though you have mailed it five times in the last six months.

However, a record from 'List B' may not be profitable if you have mailed it two or more times in the last year.

Once you have determined the break-even point for each list, we pull an extract from your Master Mind file to use as a selective suppress file in your Merge-Purge. Because the extract file contains only those records you don't want to promote, it is considerably smaller than the total mailing history maintained on your Master Mind file. As a result, Master Mind is a very cost-effective tool for raising prospect response.

After we apply the selective suppression of the Master Mind extract file in the Merge-Purge, your net mailable names contain only profitable records. With the money you save by not mailing to unprofitable segments of good lists, you can use Master Mind to identify profitable segments of lists that had previously been only marginal for you.

Deliverability Enhancement Services

Creative Automation is a non-exclusive licensee of the US Postal Service for both Delivery Sequence File (DSF) and National Change of Address (NCOA) processing. We also offer Elim-I-Nix processing from RL Polk to identify known movers.

- Keep track of your customers where ever they go.
- Avoid mailing to out-of-date addresses, or to insufficient addresses.
- Improve merge-purge results.
- Improve postal discounts.
- Identify business versus residential delivery points.

DSF

The Delivery Sequence File database contains the following information:

- undeliverable addresses
- a walk sequence code for each address
- delivery point type (business or residential)
- seasonal and vacant addresses

Our experience with DSF has shown up to six percent "undeliverable" addresses.

Since Input is not a saturation mailer, you would not benefit from the walk sequence postage discount. However, the delivery benefits may apply to you.

NCOA

The National Change of Address System includes about 105 million individuals, households, and business moves over the last thirty-six months. We get an update from the Postal Service every two weeks. Our NCOA service includes..

- new addresses for matches which meet the USPS privacy standards
- nixie elimination for identified near matches
- monthly updating service at reduced rates for regular house file maintenance.

Our experience is that clients who use NCOA for the first time obtain upwards of three percent new addresses, with a lower percentage in subsequent applications.

We recommend that Input use NCOA regularly on your house list. Many clients also find it to be cost effective on outside lists as well.

Elim-I-Nix

Creative Automation offers a private source of over 100 million household moves, Elim-I-Nix from RL Polk. The data comes from magazine publishers, mail order companies, credit bureaus, and Polk-exclusive sources.

We recommend applying Elim-I-Nix after NCOA.

Database System

Creative Automation builds each database to client specifications. Our fast, flexible database query system provides efficient access to information on your database. Packaged and custom reports are available. We provide complete training and documentation.

When you build a marketing database with Creative Automation, you gain the information you need to adjust your marketing programs to most closely approach your financial goals. You will be able to...

- Identify segments of your active and inactive customer lists which have *extraordinary potential* for ...
 - Repurchase
 - Cross selling
- Identify purchase and cross sell *trends* among segments of your list.
- Identify the *key factors* among your customers' behavior and demographic attributes which tend to predict repurchase rates and amounts, sensitivity to special offers, and susceptibility to cross sell.
- Model or provide the data to model these factors in order to *optimize planning* for each mailing in accordance with your marketing and financial goals.
- Implement circulation models in order to *optimize execution* of mailings in accordance with goals.
- Read the relative *merits of creative packages* at minimum cost by creating valid test cells while maintaining most of your postal discounts.
- Identify *optimum sequences of offers* to key segments by creating test panels which you use repeatedly.
- Consider *mailing history* in making your circulation decisions, or to contribute to a life time value estimate.
- Include *prospects* in your database so as to bring these tools to bear on the initial purchase effort.

Database Query System

The database query system provides rapid counts based on your criteria. You can specify Nth selects, add keycode information, and commit the selections you have created to be extracted and output.

Attributes

You define the attributes you will use to select names from your database. Attributes can be yes or no indicators such as *do not mail*, or *has purchased between \$100 and \$300 lifetime*; or values, such as *total number of orders*, or *date of last purchase*. Attributes may also represent multiple occurrences, such as *date of each order*, *amount of each order*, or *product categories purchased*.

Using combinations of attributes, we create a system that is specific to your needs.

User Interface

The query system user interface gives you the tools you need to create simple or complex counts or selections of your data.

- The system allows you define queries based on any logical combination of attributes, such as *is not a do not mail*, *has made at least one category C purchase*, and *made last purchase since January 1, 1994*.
- You can define global restrictions on queries, such as *exclude all records marked do not mail from all of the following queries*.
- A pop up window shows attribute definitions for easy reference.
- Help screens give you quick assistance.
- The system has built-in controls to alert users to any inconsistencies, such as requests for non-existent ZIP codes or ill-formed logic.
- You can describe, save, retrieve and modify active queries.
- You can access multiple database files and previous updates within each file.
- You can select or omit records on the basis of previous selections.
- You can perform exact Nth selects as part of a query.
- You can assign keycodes to parts of a query.

- After you have determined by query or a sequence of queries that you have identified the correct records to output, you can commit your query language as a selection.

Security

Creative Automation assigns an ID to each query system user you authorize. You can choose which files each user in your organization will be permitted to access.

The query system operates on a series of files based on your database. Since we *never* include complete addresses in the query files, there is no danger of your list being copied by an authorized query system user.

Software

The database query system is proprietary to Creative Automation and is not available for installation at remote locations. However, the system will be available at your site(s) via on-line communications.

The system uses flat files for speed and economy.

Communications and Terminals

Creative Automation offers a complete range of communications options for remote users. These include direct dial up, public network dial up, leased lines, and T1 trunk lines. Our communications specialists will work with you to identify the most appropriate option for your application.

We support virtually any type of remote device, include 3270 terminals, high speed printers, plotters, other mainframes, minicomputers, remote cluster controllers, and PC networks.

Reporting

We suggest customizing your database system reports to suit your specific needs. However, some standard reports are available, such as a list usage report for brokerage and royalty applications.

Our Research and Development group will work with you to implement your reporting requirements.

Documentation and Training

Creative Automation provides complete reference documentation for the database system. Our experienced staff will train your staff how to use the query system. We will even train new people over time as needed.

Postal Qualification

Creative Automation works with the US Postal Service to understand and implement current standards for postal discounts for all classes of mail. The result: you can have confidence that your mailing preparation will meet postal requirements and receive maximum discounts.

Opti-Mizer

Our Opti-Mizer Discount system is designed to provide Input with flexibility, efficiency, and the opportunity to save more postage than with other, "canned" packages. It includes the following capabilities:

- Automated ZIP+4 delivery point coding
- Non-automated ZIP+4
- Carrier route, 3/5 digit and basic presorts
- Saturation and 125-piece walk sequence presorts
- Multiple sequencing options to fit your mail plan and the needs of your lettershop:
 - Destination entry point sequence — BMC, SCF, or DDU
 - Discount level sequence
 - Mailstreaming
 - Palletization

The Postal Service has certified Opti-Mizer under their Coding Accuracy Support System (CASS). The system passed with nearly perfect scores.

Creative Automation is committed to maintaining our leadership in this critical area of mail preparation. We will be the first to offer service to take advantage of any new discounts the Postal Service may make available to mailers, including any changes under reclassification, expected in 1995 or 1996.

Nth by Package System

Creative Automation's Nth by Package system selects test panels at the end of the postal presort process. This will allow you to retain nearly all postal discounts while conducting valid tests in the mail.

The Nth by Package system creates statistically sound test panels. It provides Input with a reliable way to test creative packages without the high postage costs inherent in more traditional test panel selection methods.

The system uses the following steps to select test panels:

- Examines the distribution of names by postal level and geographic distribution.
- Identifies a statistically reliable strategy to select test quantities without disrupting postal qualification.
- Fills the test panels within the postal qualification process.

The total quantity within each postal tier determines the percentage from that tier which will be allocated to each test panel. For example, if 85% of your entire mailing is Carrier Route presorted, then 85% of each test panel will be Carrier Route presorted. Test panels are created based upon these percentages, thus creating tests that are representative of your entire mailing.

Regardless of the size and number of tests, the Nth by Package system provides qualification rates better than those obtained from a traditional Nth strategy across the entire mailing universe. Because this system maintains most of the presort qualification counts, you are able to receive postal discounts which more closely approximate the discounts you would receive if the campaign were mailed as a single roll-out group. There may be a small loss of discount because under certain circumstances the system must balance test quantities within each panel with individual packages. These losses are minimal, however.

While the exact amount of postal savings will vary between mailers, Input will significantly exceed the amount achieved using traditional techniques.

Marketing Consulting

Creative Automation's staff of experienced marketers is available for a variety of assignments. Timothy Mabee, a veteran with fifteen years of retail, packaged goods and direct marketing experience, supervises all consulting projects directly. You can have confidence in receiving solid information and practical recommendations, because he has been in your position and he knows what kind of results you expect and require.

Circulation Management

We assist you in tuning your circulation strategies to your financial and marketing objectives.

Segmentation Analysis

We guarantee to improve profits from your house list mailings, either by reducing mailings to unprofitable segments, or by mailing more to profitable names.

- Review house list circulation plans and results.
- Create alternate segmentation schemes using internal and overlay data.
- Simulate mailings and compare results of current and alternate segmentation.
- Recommend testing and implementation tactics for new segmentation.

Mailing Frequency Analysis

If you mail your house list regularly, we will find the most profitable sequence of mailings for each significant segment of your house list.

- Identify significant segments and maximum mailings per season.
- Propose sequences testing plan, including sample sizes and data gathering methods.
- Analyze season results.
- Present findings and recommendations.

Test design and analysis

We will find the answers to crucial questions in your business, such as the profitability of discounted or premium offers, effects of shipping charges or price increases, maximum profitable mailing frequency, size of acceptable prospect universe, or you name it.

- Review key management questions, recommend test objectives and priorities.
- Propose testing methods, including sample size and data gathering methods.
- Analyze and present results.
- Recommend actions.

Circulation Management

We will manage your direct mail circulation or telephone calling campaign lists to your strategy and objective. We can function as part of your circulation department.

- Fine tune each promotion for optimum results using house lists and rented lists.
- Adjust mailing frequency for every significant segment of your house list.
- Analyze and present results by segment and promotion.

We also offer staff training in circulation theory and practice.

Scoring Models

House List Modeling

We guarantee our models will beat any previous house list selection method, whenever at least three years of purchase history data are available.

- Identify available predictive data:
 - Purchase history
 - Payment history
 - Cancellation and return history
 - Customer service history
 - Address information
 - Demographics
- Create and validate scoring model.
- Present predicted gains, recommend implementation and testing methods.
- Recommend circulation strategies based on model.

Prospect Modeling

We promise better prospect response or a larger acceptable prospect universe when you choose us to build ZIP® and ZIP+4® scoring models

CREATIVE AUTOMATION

for prospecting with rented lists. We use your house "best buyers" and past prospecting results.

- Create and validate scoring model.
- Present predicted gains, recommend testing methods.
- Ship ZIP® select or suppress tapes to the list rental fulfillment shops for rental orders.

Marketing Information

Our marketing information helps you understand your customers, make realistic long range forecasts, identify business strengths and opportunities, and set and track goals.

Customer Migration Analysis

We will show you the dynamics of your customer list.

- Identify major factors in determining which customers you will retain and which you will lose.
- Suggest levers and tactics to move customers from "likely to lose" to "likely to keep."

Product Migration Analysis

We will show you the dynamics of product purchase sequence among your customers.

- Based on purchase sequence history, identify the likely purchasers of a particular product you want to promote.
- Suggest ways to move customers into high profit product categories.

Lifetime Value Analysis

Use our lifetime value estimates to determine how much to invest in new customer acquisition, and to find the best sources for the most profitable customers.

- Identify and gather necessary financial and customer purchase history data.
- Estimate net present value of future profits available from key groups of customers.
- Present results and recommend actions.

Customer Profiles

Use profiles to make informed product offer decisions, to market your list, and to help identify likely sources for new customers. We will show you the behavior and demographics of significant segments of your house list and compare them to US and company norms.

Retail Site Analysis

Use your house list as a source of information on store sites with appropriate population characteristics. We will examine the demographics and psychographics of your existing customers and identify or evaluate potential store sites to match.

Equipment List

Computer Processing Facility

- 1 AMDAHL 5890 Model 600 E computer
 - 512 megabytes of memory
 - 128 channels
- 48 AMDAHL 6380K disk units
 - 184 drives
 - 360 gigabytes of storage)
- 1 AMDAHL 6110 solid state device
- 1 EMC² Symmetrix unit
 - with 2 spares
 - 15 gigabytes of storage
- 10 STORAGE TEK tape drives
 - 9-Track
 - 6250 BPI or 1600 BPI
- 48 IBM 3480 cartridge tape drives
 - 18-Track
 - 38,000 BPI
 - including IDRC
- 1 Uninterruptible power supply system with diesel generator

Communications Capabilities

- 2 IBM 3725 communications controllers
- 1 IBM 3726 communications controller expansion
- T1 high speed communications line support
- Token ring network support
- IBM Infonet
- "800" Dial-In Network (Renex)

Personalization Facility

- 4 SIEMENS 2140 LED PLUS warm fusion imagers
 - 2-up continuous forms
 - 17" wide print area
 - high resolution 240 x 240 dot density
- 4 SIEMENS 2240 LED PLUS warm fusion imagers
 - 2-up continuous forms
 - 17" wide print area
 - high resolution 240 x 240 dot density
- 3 Roll to roll unwind/rewind systems
- 1 SIEMENS 2300 warm fusion imager micrprint
 - continuous forms
 - 16" wide print area
- 7 SIEMENS 2200-L26 cold fusion laser imagers
 - continuous forms
 - high resolution 240 x 240 dot density)
- 1 XEROX 4050 laser imager
 - sheet-fed
 - two-side personalization capability
- 1 XEROX 4090 laser imager
 - sheet-fed
 - two-side personalization capability
- 1 XEROX 9700 laser printer
 - sheet-fed
 - two-side personalization capability
- 2 KODAK 3000C ink jet imagers
- 1 SCITEX 3600 ink jet imager with high resolution 240 x 240 dot density
- 7 STORAGE TEK 5000 impact printers with 168 character print line capability

Bursting and Folding Facility

- 1 Cutter (up to 32" x 30" sheets)
- 10 Bursters (up to 22" deep forms)
- 2 Bursters (up to 28" deep forms)
- 16 BOWE cutters

All bursters and BOWE cutters are set up to run in-line with any folder sections for tandem operation.

- 6 Slitter-Mergers (to run in tandem with bursters or BOWE cutters)
- 2 Labelairs with 12" rolls
- 8 Willett Labeljet Model 2300 labelers (with 16" diameter rolls on 3" cores)
- 2 Willett Labeljet Model 2300 labelers (with 12" diameter rolls on 3" cores)
- 10 Roll feed stands
- 2 BAUM pile-feeders & inline folders
- 1 BAUM inline folder
- 2 PAFRA spot/line gluer attached to a STAHL parallel folder
- 2 STAHL continuous board feeders (for sheet stock)

Sections for STAHL folders:

- 11 Parallel folding sections with two plates up and two down
- 10 8-page sections with two plates up and two down
- 9 16-page sections with two plates up and two down
- 1 32-page section with one plate up and one down
- 13 Delivery beds (8 small, 5 medium)

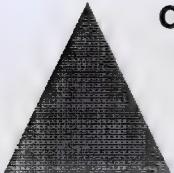


CREATIVE AUTOMATION

Partners In Response

ACHIEVE ACCURACY, COST EFFICIENCY AND SPEED... WITH CREATIVE AUTOMATION'S BUSINESS TO BUSINESS MERGE/PURGE SYSTEM

Accuracy drives Creative Automation's **BUSINESS-TO-BUSINESS MERGE/PURGE** system, where optimum duplicate identification is a major objective. The same high quality standards and advanced techniques Creative Automation has applied to the Consumer Merge/Purge System over the past two decades have been enhanced to create our new business-to-business service. Through independent testing, our Business to Business Merge/Purge System has consistently located from 3 to 5 percent more correct duplicates than other leading service bureaus.



**Our System consistently
locates 3 to 5 percent
more correct duplicates
than other leading computer
service companies.**

Beginning with its automated conversion system through its extensive reporting capabilities, the system is designed to increase list precision, while minimizing merge/purge and postal costs.

PROFILER

Proprietary software designed specifically for business-to-business mailers, the Profiler recognizes common business record components and inconsistencies, and places data in correct fields before running through the merge/purge system.

- Improved data identification increases number of correct duplicates located
- Extensive data dictionary assigns values such as job function, title and industry to generate more targeted mailings

ADDRESS ANALYSIS SYSTEM

Performs address quality improvement including zip correct and assignment of carrier route, zip + 4 and delivery point codes.

- Matches postal codes for businesses at approximately the same rate as consumers, and significantly higher than competitive software
- Higher coding rates result in greater postal discounts and faster, more accurate mail delivery
- Better address quality results in improved duplicate identification

*DELIVERY SEQUENCE FILE (DSF)

Validates client lists against U.S. Postal Service DSF database containing correct, deliverable addresses for over nine million businesses.

- Provides indication of list quality, identifying nondeliverables and reason for non-match to the DSF file
- Saves mailing costs by reducing undeliverables
- Increases response rate by reaching more correct addresses

- Appends walk sequence numbers to records, providing additional discounts for mailings of high density within carrier routes
- Tags records with seasonal and vacant codes, increasing targeting capabilities and reducing mailing costs
- Address standardization and correction improves label presentation and treatment of mail



The NCOA database provides change of address information for over 105 million businesses, families or individuals who have moved in the last 3 years.

*NCOA/NIXIE IDENTIFICATION

The NCOA file provides change of address information for over 105 million businesses, families or individuals who have moved within the last 36 months. As one of the few Nixie licensees, we can also alert you of probable moves but not exact matches to the NCOA database. Strict postal matching rules preclude us from appending new addresses, but identification will allow you to delete or track nixies separately.

- Reduces undeliverables, saving mailing package costs
- Increases response by reaching more correct addresses
- Nixie records can be deleted or tracked separately

SUPPRESSION FILE MAINTENANCE

Suppression files are maintained as an extract of the original name and address file.

- As a non-mailable extract of the complete record, suppression records are processed more efficiently resulting in lower merge/purge charges
- Large suppression files can be introduced without delaying processing time
- Extreme flexibility in implementing customer-specified suppression files, as well as special suppresses like address only or demographic selects

*Non-exclusive licensee of the U.S. Postal Service

REPORTS

Extensive reporting package in a variety of categories and formats with custom reports available upon request.

List Activity--a summary of basic merge/purge activity for each mailing list. Includes total input to the Merge/Purge System, quantity dropped by category and the number of net names available for mailing.

State Activity--same information as above by state code within list.

Broker Report--merge/purge activity for each list reported separately by broker.

Edit Sampling--reports all list errors including invalid zip codes and states, name errors and others.

Drop Sampling--lists user-specified drops.

Duplicate Matrix--quantity and percentage of duplicates between all lists.

Multi-Buyer Stratification--summarizes information found in the matrix report, ranking pairs of lists in descending order by incidence of interfile duplication.

Suppress Matrix--quantity and percentage of suppressed records for each input list matching a suppressed file list.

Suppress Stratification--summarizes information in the matrix report, ranking pairs in descending order for incidence of suppression matches.

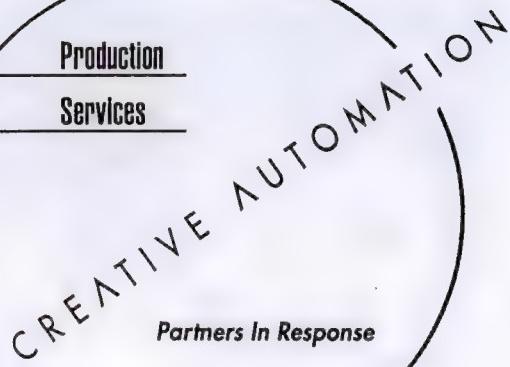
Please contact Creative Automation at 708-449-2800 for more information on:

- Business-to-Business Merge/Purge
- Modeling, Profiling, Data Overlays
- Consumer Merge/Purge
- Bindery, Personalization Services
- NCOA, DSF
- Database Query System



CREATIVE AUTOMATION
220 Fenc Lane • Hillside, IL • 60162-2098

Production
Services



The Foundation

To complement our extensive printing capabilities, our high-speed, full-service bindery provides you with the ultimate in production flexibility. From folding, cutting, bursting and labeling...to interstacking, nesting and spot gluing; our dedication to quality and efficiency are unsurpassed.

Result: Efficiency in cost and turnaround time, high quality output, the convenience of printing and binding in one location, and the flexibility to respond to your individual requirements.

The Options

Folding and Labeling

Standard and gate folds, interstacking and nesting are performed efficiently and accurately on our advanced

Siehl and Baum folding equipment. Folding a wide range of stock sizes, the equipment accommodates sheet, continuous-form and roll stock.

At the folding stage, our Labeljet equipment blows your seals and labels on to any medium -- a less expensive, more efficient process for labeling than applying during print production. Also an option during the folding process, our Pafra gluing system spot glues your pieces, which is ideal for self-mailers and post cards.

Bursting and Cutting

Appropriate for the largest of mailings, our high-speed Standard



Register bursters separate your pieces quickly and accurately, while providing a high quality appearance.

In addition to bursting, we can also cut your mailing pieces with our Böwe cutters to achieve a more letter-like image. Using Böwe equipment, spoilage which often occurs with perforated stock when bursting, is reduced. The cutters can also reduce the size of your stock to meet your requirements, cutting up to 1 1/2 inches off your piece.



The Advantages

- Full range of bindery equipment providing high flexibility in production capabilities
- Quick turnaround time and commitment to meeting project deadlines
- High quality output
- Competitive prices

OUR BINDERY

FOCUSSES

ON SPEED,

ACCURACY AND

FLEXIBILITY AT

COMPETITIVE

PRICES.

For more information on our Production Services, contact Creative Automation at 708•449•2800.

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Merge
Purge
Processing

CREATIVE AUTOMATION
Partners In Response

Consumer Merge Purge

The Foundation

Creative Automation's proprietary Merge Purge software combines the strengths of full record analysis, phonics and other proven matching techniques to optimize the balance between "overkill" and "underkill," giving you the optimum unduplicated penetration of your market.

Result: Greater identification of correct duplicates, reducing postage and mailing package costs while heightening recipient perception and response.

The Process

Conversion

Lists are initially processed through our automated conversion system. Within 24 hours of receipt, your lists will be converted to a common record layout and situations such as non-numeric zips, foreign names, and invalid state codes will be corrected before running through the merge purge system. The minimal turnaround time allows us to quickly notify you of critical conditions to avoid project delays.

Address Quality Improvement

Optional but recommended steps, Address Analysis, *DSF and *NCOA processing enhance deliverability,

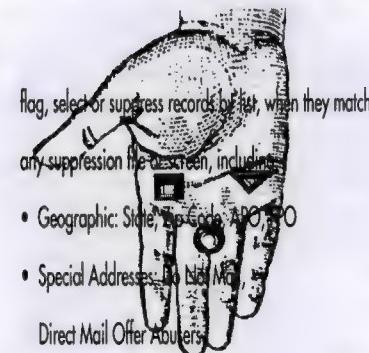
correct zip codes, and provide change of address information. These processes have a major impact on merge purge results, providing the cleanest possible addresses for matching purposes.

Merge Purge Processing

Handling up to 4,095 lists at a time, each record within your house and rental lists is matched at the zip level by personal name and address to identify duplicates.

You have several duplicate removal and allocation options. You can eliminate duplicates at the household, household/last name, or individual level, depending on your requirements. You can prioritize or apportion lists in any combination, allocating duplicates by list priority or equally across lists or groups of lists. Lists from the same source may be grouped together as families, identifying duplicates across segments of the same list or multiple lists for special handling.

In addition to the various duplicate selection options, you have the flexibility to



flag, select or suppress records by list, when they match any suppression file on screen, including:

- Geographic: State, Zip Code, APO, FPO
- Special Addresses: Do Not Mail, Direct Mail Offer Advertisers
- Demographic: Age, Gender, Income, Other
- Business or Consumer Addresses
- Previously Mailed Records

Suppression records are maintained as a non-mailable extract of the complete record, and as a result are processed very efficiently, with lower merge purge charges and quicker processing.

Reports

A complete set of marketing-oriented, easy-to-use reports are provided for each step of processing to help with your list performance analysis. Also available on diskette, the reports include merge purge

activity by list, state and broker; edit and drop information; and a ranking of duplicate and suppression activity between pairs of lists.

The Advantages

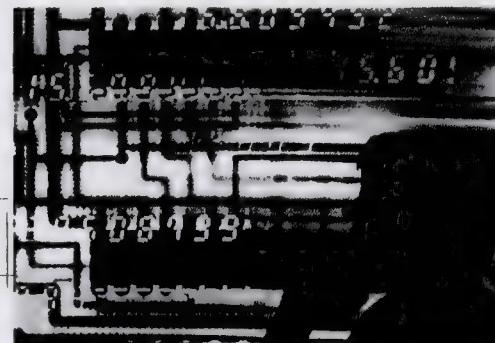
- Increased identification of correct duplicates
- Lower postage and mailing package costs
- Enhanced recipient perception by eliminating appropriate duplicates
- Quick turnaround time through highly-optimized programming techniques

OUR SOFTWARE

- Lower merge purge costs with efficient processing of suppression files
- OPTIMIZES THE BALANCE BETWEEN
- Greater deliverability if run with UNDERKILL AND
- Address Quality Improvement products OVERKILL, GIVING YOU THE OPTIMUM
- Increased response through accurate duplicate removal and greater deliverability UNDUPPLICATED
- Comprehensive set of reports to help with PENETRATION
- list performance analysis

OF YOUR MARKET.

For more information on our Consumer Merge Purge or Address Quality Improvement products, contact Creative Automation at 708•449•2800.



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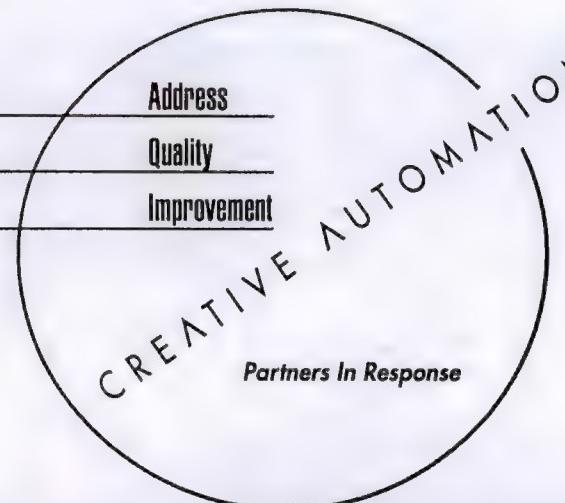
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Delivery Sequence File (DSF)

The Foundation

As a *DSF licensee, Creative Automation can validate client lists against the U.S. Postal Service file containing correct, deliverable addresses for over 110 million consumer residences and 9 million businesses. Also provided are delivery walk sequence numbers, delivery types, and seasonal and vacant codes.

Result: More deliverable mail, faster delivery, reduction in postal and mailing package costs, and increased response.

The Process

Lists are initially processed through our CASS-certified

Postal Address Matching Software to provide:

- ZIP Code Correction
- ZIP+4, Carrier Route and Delivery Point Coding
- Address Standardization

Lists are then matched to the U.S. Postal Service DSF database. For each DSF-matched record, the following information is provided:

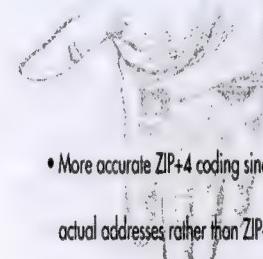
- Indication of match or non-match (non-match is potentially undeliverable)

- Reason for non-match, change information processed and number of corrections made
- Delivery type indicating business or residential record
- Seasonal and vacant codes
- Delivery walk sequence

A National Deliverability Index report is also provided and is an excellent tool for evaluating list quality.

The Advantages

- Reduces undeliverables, saving mailing package costs
- Increases response by reaching more correct addresses
- Address quality improvement increases number of accurate duplicates located



- More accurate ZIP+4 coding since DSF matches actual addresses rather than ZIP+4 ranges
- Additional discounts at walk sequence level for mailings of high density within carrier routes
- Address standardization and correction improves address presentation and treatment of mail
- Additional address correction is available through the USPS address element correction process,

- further increasing deliverability of your lists
- Delivery type, vacant and seasonal information will increase targeting capabilities and reduce mailing costs

Savings At A Glance

Size of Mailing: 1 million pieces

Average DSF Match Rate: 81 percent

+Total Non-Deliverables: 41,700 pieces

Address Not Found 36,600

Missing Street Number 3,800

Last Line Non-Match 1,100

Missing PO Box Number 200

Per Thousand Cost: \$375

**Mailing Package Savings: \$15,638
DSF LOCATES**

+This figure represents the segment of total
**FROM FOUR TO
TEN PERCENT**
non-matches considered most likely unavailable.

UNMAILABLE

NAMES ON

EACH MAILING

LIST PROCESSED.

For more information on DSF, contact

Creative Automation at

708•449•2800.



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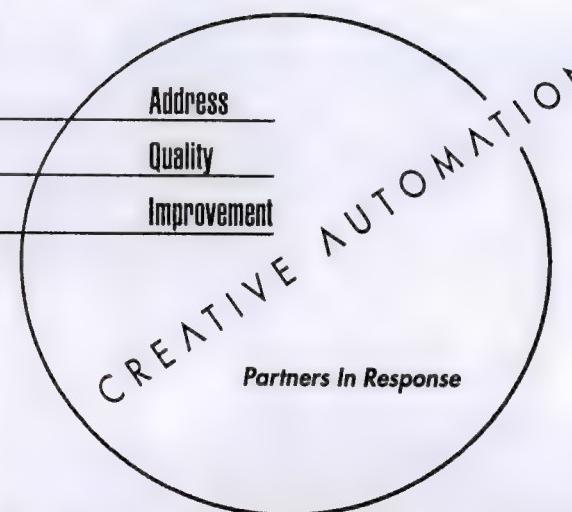
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National Change of Address NCOA Nixie Elimination

The Foundation

As a U.S. Postal Service *NCOA licensee, Creative Automation can provide you with current change of address information for over 105 million businesses, families or individuals who have moved within the last 36 months.

As one of the few *NCOA Nixie licensees, we can also notify you of probable moves. Strict postal matching rules preclude us from appending new addresses that are not exact matches to the NCOA database, but identification will allow you to delete or track nixies separately.

Result: Up-to-date addresses providing more deliverable mail, lower mailing costs and greater response.

The Process

Lists are initially processed through our CASS-certified Postal Address Matching Software to provide:

- ZIP Code Correction
- ZIP+4, Carrier Route and Delivery Point Coding
- Address Standardization

Lists are then matched to the U.S. Postal Service NCOA file to append NCOA and Nixie information.

To each NCOA-matched record, the following is added:

- Group designation (legitimate new address, no forwarding address, etc.)
- New address (if available)
- Type of move (individual, family or business)

A National Deliverability Index report is also provided and is an excellent tool for evaluating list quality.

We also offer a Monthly NCOA Update Service, a cost-efficient option for NCOA and Nixie processing.

Addresses changed within the last 30 days are isolated on a separate Creative Automation NCOA database.

Once your list has been updated with the full 36-month NCOA file, it will only need to pass through the condensed monthly database with only three to four million records. This eliminates the expense of processing through the entire NCOA master file.



Savings At A Glance

Size of Mailing: 1 million pieces

Average NCOA Match Rate: 4.5 percent

Non-Deliverables: 45,000 pieces

Per Thousand Cost: \$375

Mailing Package Savings: \$16,875

Average Response Rate: 2 percent

Additional Orders: 900

Revenue per Order: \$50

Additional Sales: \$45,000

THE U.S.

Adding the Nixie process with an average match rate of **POPULATION** 4.5 percent, you can expect to save an additional **IS ONE OF THE** \$16,875 for a total of \$33,750 in mailing costs. **MOST MOBILE**

IN THE WORLD.

ABOUT ONE IN

FIVE FAMILIES

MOVE EACH YEAR.



For more information on NCOA and Nixie processing, contact Creative Automation at

708•449•2800.

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Merge
Purge
Processing

CREATIVE AUTOMATION
Partners In Response

Business Merge Purge

The Foundation

Optimum duplicate identification is the basis of Creative Automation's proprietary Merge Purge software. With data inconsistencies prevalent in business lists, proper data identification and placement play a major role in our ability to locate the maximum number of correct duplicates for our clients.

Result: Reduced postage and mailing package costs, enhanced recipient perception, and increased response.

The Process

Conversion

Lists are initially processed through our conversion system designed specifically for business records.

Within 48 hours of receipt, your lists will be converted to a common record layout, and situations such as non-numeric zips, foreign names, and invalid state codes will be corrected before merge purge processing.

Profiler

Once converted, your lists are processed through the Profiler. This proprietary software eliminates data inconsistencies by identifying data elements and positioning them in proper field locations. This is a

critical step in the merge purge process, ensuring like elements are matched when identifying duplicates. It is equally important for address quality improvement to confirm proper location of names and addresses before matching to U.S. Postal Service files.

Address Quality Improvement

Optional but recommended steps, Address Analysis, *DSF and *NCOA processing enhance deliverability, correct zip codes, and provide change of address information. These processes have a major impact on merge purge results, providing the cleanest possible addresses for matching purposes.

Merge Purge Processing

Handling up to 4,095 lists at a time, each record within your house and rental lists is matched at the zip level by personal name, business name, title and address to identify duplicates.

You have several duplicate removal and allocation options. You can eliminate duplicates at the employee level or select a certain number of output records

within a given business location; depending on your requirements. You can prioritize and portion lists in any combination, allocating duplicates by list priority or equally across lists or group of lists. Lists from the same source may be grouped together as families, identifying duplicates across segments of the same list or multiple lists for special handling.

In addition to the various duplicate selection options, you have the flexibility to flag, select or suppress records by list, according to specified criteria including geographic, special address, demographic, business, consumer or previously mailed records. Suppression records are maintained as a non-mailable extract of the complete record, and as a result are processed very efficiently, with lower merge purge charges and quicker processing.

Reports

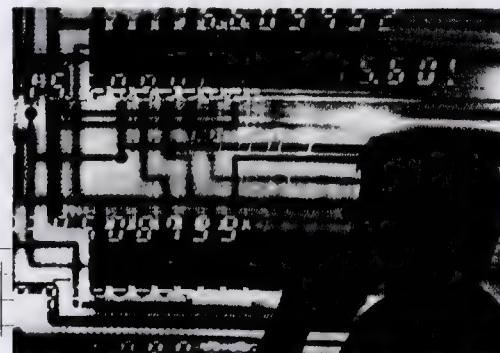
A complete set of marketing-oriented, easy-to-use

reports are provided for each step of processing to help with your list performance analysis. Reports include merge purge activity by list, state, and broker; edit and drop information; and a ranking of duplicate and suppression activity between pairs of lists.

The Advantages

- Profiler assures near-perfect handling of complex business addresses
- Increased location of correct duplicates through better data identification
- Lower postage and mailing package costs
- Enhanced recipient perception
- Lower merge purge costs with efficient AND FIELD processing of suppression files
- Greater deliverability if run in conjunction with ESSENTIAL FOR Address Quality Improvement products
- Increased response through accurate duplicate SOFTWARE TO removal and greater deliverability
- Comprehensive set of reports to help with list ACCURATELY AND performance analysis
- EFFICIENTLY.

For more information on our Business Merge Purge or Address Quality Improvement products, contact Creative Automation at 708•449•2800.



**Production
Services**

CREATIVE AUTOMATION

Partners In Response

Result: Efficiency in cost and turnaround time, high quality output and the flexibility to respond to your corporate image requirements.

capabilities. To complement our warm fusion printers, our cold fusion equipment allows you to print on virtually any type of medium, including heat-sensitive materials.



Impact

Recommended for fill-in projects and multiple-part documents, our continuous-form impact printing produces quality output quickly and cost-efficiently. With a number of typefaces to select from, Creative Automation works diligently to match your letter text, providing the closest possible comparison between fill-in data and text. In addition, its expansive 150 print positions give you a great deal of output flexibility.

And with Advanced Function Printing (AFP), you have the added flexibility of printing on any addressable point on the page, rather than being limited to specific line or character positions. With AFP you can print proportional and uniform fonts, complex graphic images, and an unlimited number of logos and signatures, mixing these elements on a single page and in various orientations.

and efficiently. And now with our latest addition, the Kodak 3500 Imager, we can offer you laser-quality output of 240 dots/inch at high speeds and with two-up printing capabilities.

Similar to AFP in the laser area, with ink jet we can also place data on any addressable point on the page, and print multiple logos, signatures, barcodes and graphics in multiple orientations on the page.

Ink Jet

Ideal for the largest of mailings, our roll-to-roll Kodak 3000 ink jet equipment prints up to 1000 feet per minute, producing excellent quality output quickly



The Advantages

- Full range of personalization equipment and **EXPECT THE HIGHEST LEVEL OF QUALITY, A PRODUCT OF OUR ADVANCED CAPABILITIES AND CLOSE ATTENTION**
- Quick turnaround time and commitment to meeting project deadlines
- High quality output **PRINTING**
- Full service printing and bindery capabilities **CAPABILITIES AND CLOSE ATTENTION**

For more information on our Production Services, contact Creative Automation

at 708-449-2800.

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**Postal
Optimization**

CREATIVE AUTOMATION
Partners In Response

Presort Services

The Foundation

Providing a full range of presort services to support every type of mailing, our postal optimization capabilities include containerization software, rate qualification and reporting systems--services designed to maximize postal discounts and minimize delivery time. Combined with our Address Quality Improvement products, you will achieve even greater postal discounts and maximum deliverability.

Result: Optimum postal discounts, quick and efficient mail delivery, increased deliverability and greater response.

The Options

Rate Qualification

We handle all types of rate structures for letters, flats and postcards, and for all classes of mail including:

- Automated and Non-Automated Presort
- ZIP+4 and Delivery Point Coding
- Profit and Non-Profit
- Carrier route, 3/5 and Basic Presort
- Saturation and 125-Piece Walk Sequence
- Destination Entry Points-BMC, SCF and DU

Containerization

In addition to the standard palletization, sacking, traying, and bagging requirements, our presort software handles a number of special packaging services to provide greater flexibility, higher postal discounts and faster mail delivery. These include:

- GCA Containerization File allowing lettershops to combine mailings and optimize your destination rates
- Mail handling of non-identical weights important for selective binding projects
- Support of the five traying alternatives--Tray and Packaged-Based ZIP+4 Presorted, Tray-based Barcoded, and Two and Three-tiered Package-Based ZIP+4 Barcoded

- Firm Bundling for second class mail, packaging together all mail to the same business location
- Mailstreaming by geographic sequence to reduce physical storage problems, improve delivery time and lower postage and lettershop costs

Reports

We provide a number of reports during the presort process to evaluate your presort activity including:

- Postal reports required for mail entry
- Palletization reports for pallet makeup
- Centralized Postal Payment reports for second class mail
- User friendly summary reports for analysis



The Advantages

- Full range of presort services for all classes of mail
- Optimal postal discounts
- Faster, more efficient mail delivery
- Maximum deliverability and highest level of postal discount when combined with Address Quality Improvement products

OUR PRESORT SERVICES

- Increased response through greater deliverability

PROVIDE THE MAXIMUM OPPORTUNITY FOR POSTAL DISCOUNT OPTIMIZATION AND DELIVERY

- Convenient reports for presort analysis

FOR OUR PRESORT SERVICES

MAXIMUM OPPORTUNITY FOR POSTAL DISCOUNT OPTIMIZATION AND DELIVERY

- User friendly summary reports for analysis

FOR OUR PRESORT SERVICES

- Centralized Postal Payment reports for second class mail

FOR OUR PRESORT SERVICES

- Palletization reports for pallet makeup

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FOR OUR PRESORT SERVICES

- Faster, more efficient mail delivery

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- Maximum deliverability and highest level of postal discount

- Address Quality Improvement products

FOR OUR PRESORT SERVICES

- Creative Automation

FOR OUR PRESORT SERVICES

- 708-449-2800.

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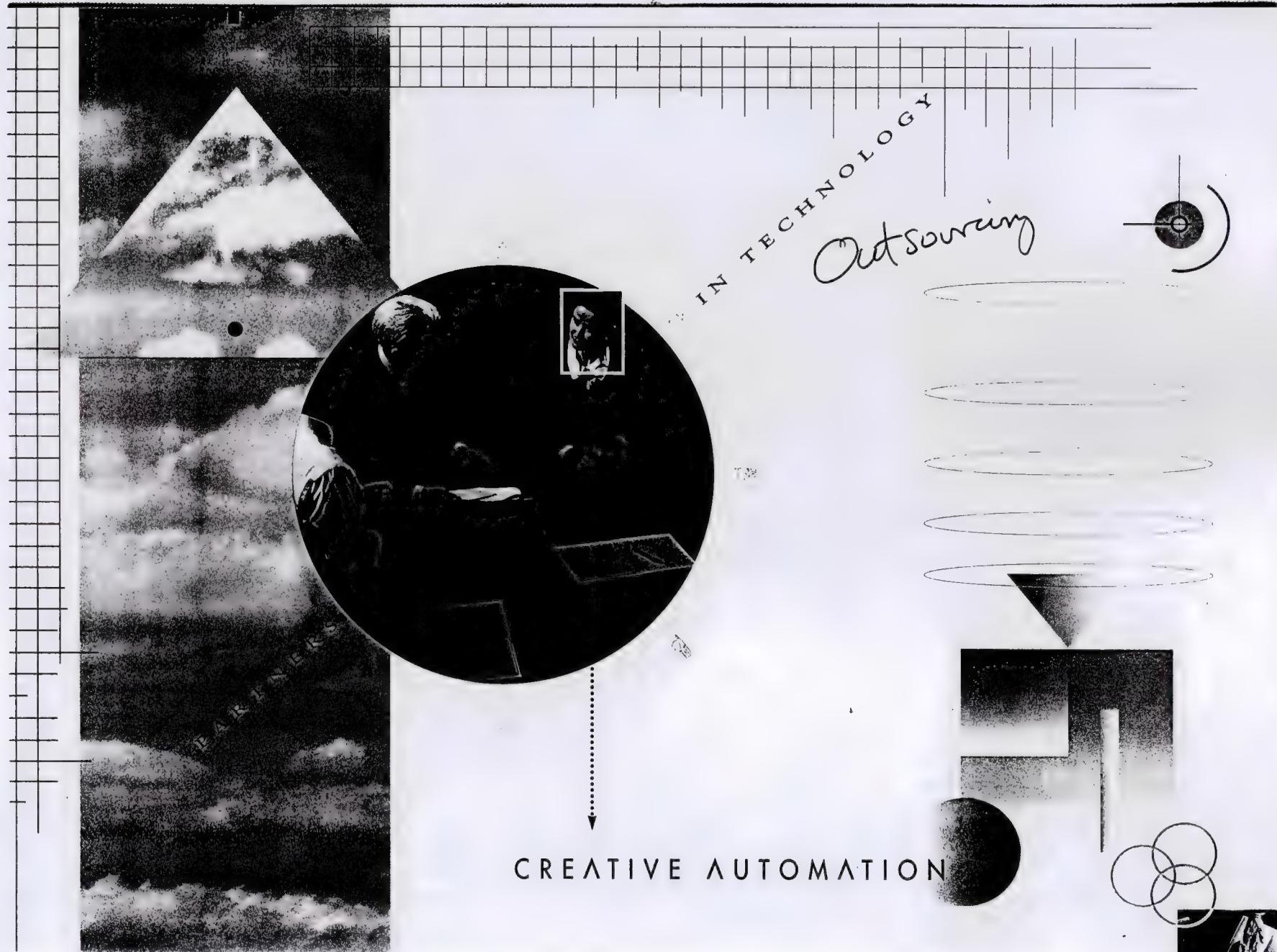
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IN TECHNOLOGY

Outsourcing

CREATIVE AUTOMATION

OUR COMMITMENT

Keeping pace with today's information service requirements is becoming increasingly difficult.

Each day brings new programs, new equipment and improved technology.

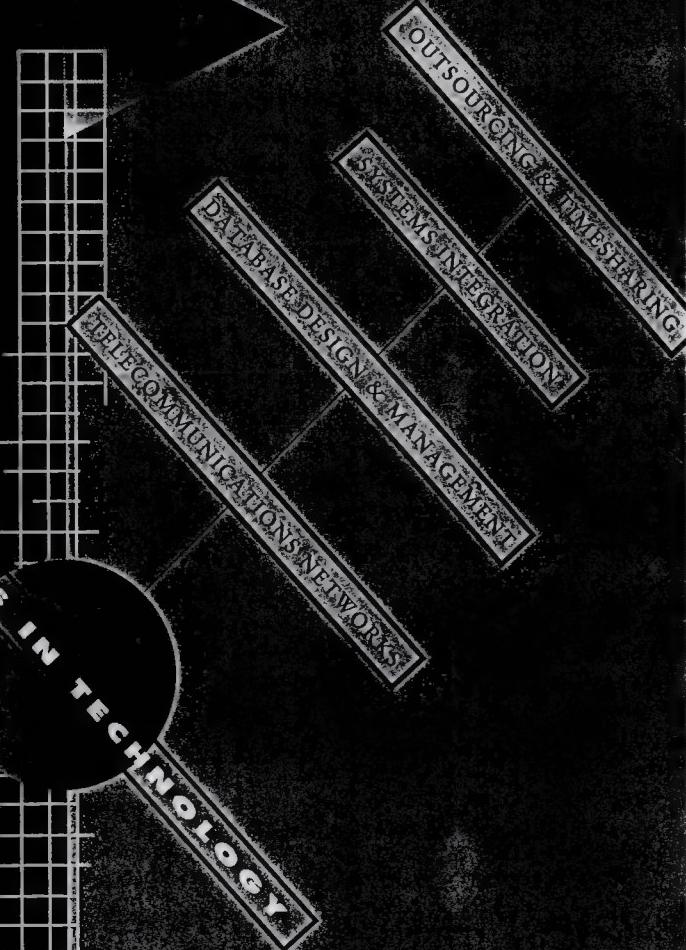
At Creative Automation, we offer a unique way for your company to remain technologically progressive while reducing costs and increasing efficiency. Our comprehensive outsourcing programs provide all the benefits of a fully-staffed, multi-million dollar data center without the investment or overhead.

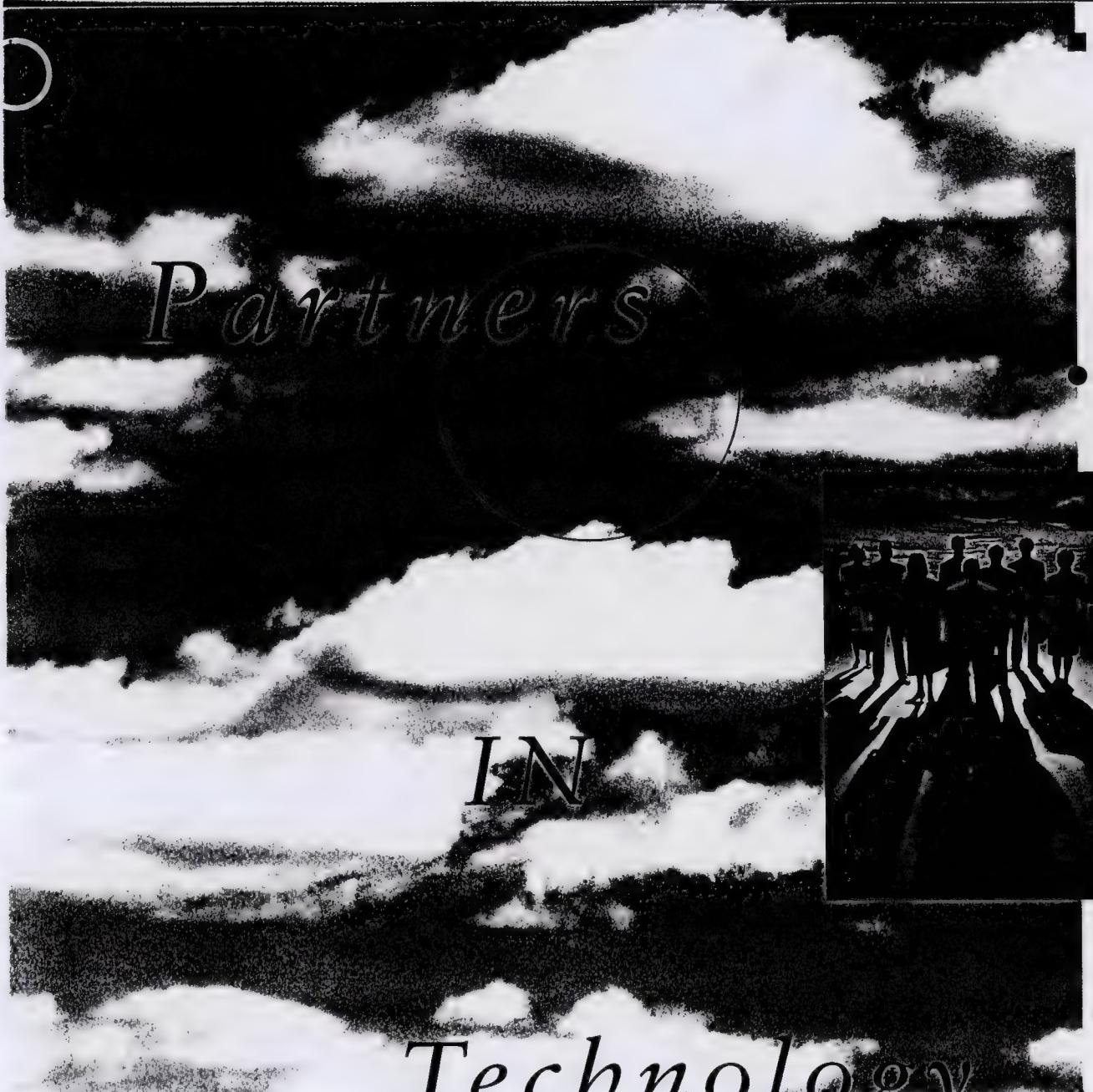
By design, our system is easy to use, yet very secure and technologically advanced. From application development, conversion services, electronic image printing to systems integration, we provide the complete outsourcing services needed to make your program a success.

As your dedicated partner in outsourcing, we work with you to develop the solutions that are right for your company. And, we support you throughout with innovative products, a knowledgeable staff of professionals and a strong commitment to customer service.

CREATIVE AUTOMATION

PARTNERS IN TECHNOLOGY





Flexible, Secure and Powerful Systems

As your outsourcing partner, Creative Automation offers both batch and online processing with these powerful benefits:

24-Hour Convenience. You can access the system through our extensive telecommunications network at any time.

Cost-Effectiveness. You'll enjoy all the benefits of large scale computing/data storage without the costly investment or expensive overhead.

Flexibility. You have the option to use our extensive library of software...your own software...or both.

Security. Our comprehensive data backup and recovery system protects your valuable information.

Simplicity. Take advantage of the ultimate in simplified interoffice communication through our electronic mail system.

Continuous Power. Our uninterruptible power supply assures that local, regional and national blackouts will not shut the system down.

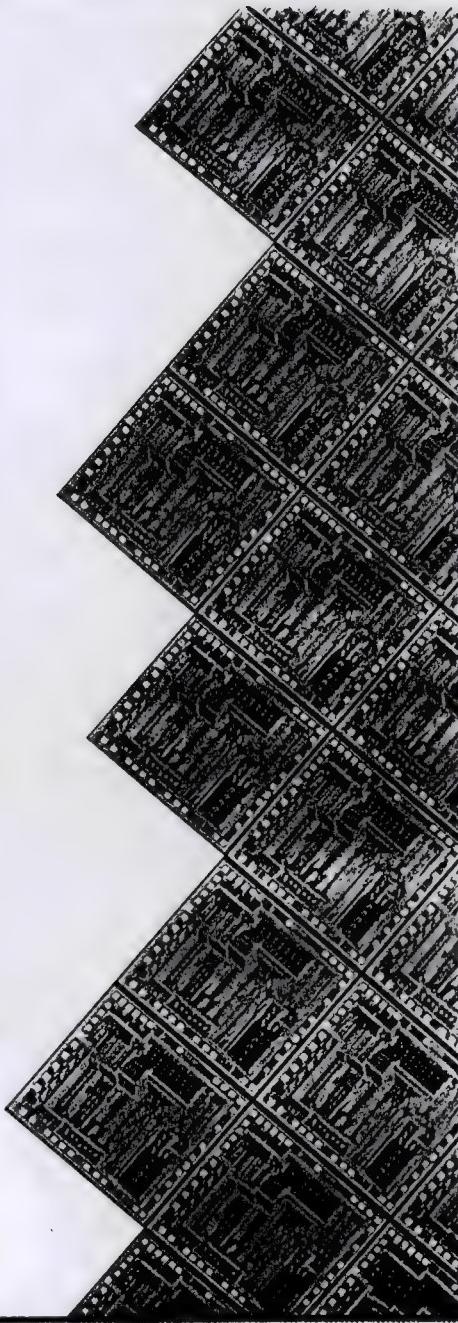
Client/Team Relationships

At Creative Automation, we are truly dedicated to building solid relationships. As your business partner, we work with you to address issues critical to your business. We assess facilities and current computer capabilities and develop the most cost-effective solutions. Our expertise and hands-on approach allow us to tailor a flexible system that meets your company's changing information needs.



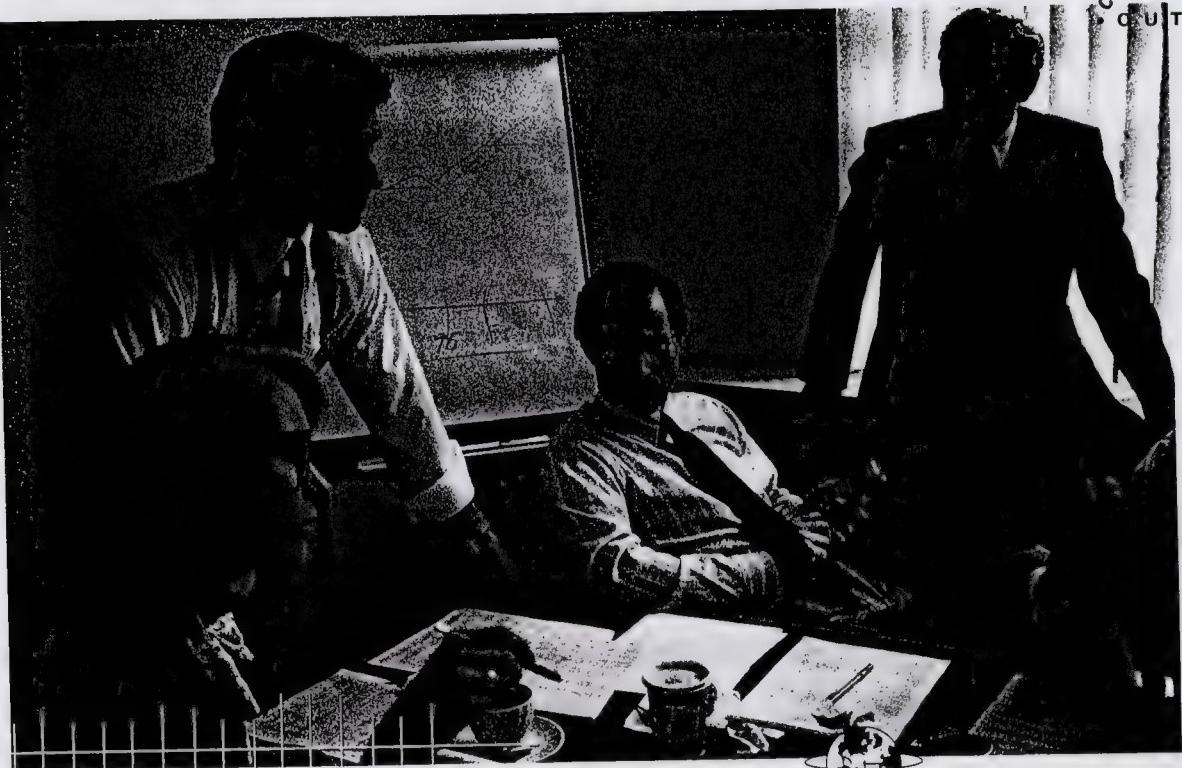
Nationwide Recognition

Creative Automation has enjoyed nationwide recognition for technological excellence for more than two decades. We specialize in fully utilizing the power of computers by bringing them to practical and efficient application. Our team of knowledgeable computer and communications specialists strive to surpass current computer applications and anticipate future trends. With the latest resources at their fingertips, they create leading-edge technology which meets the ongoing challenges of today's businesses.



BUILDING SOLID RELATIONSHIPS

CREATIVE
SOLUTIONS
•
OUTSOURCING •



The Outsourcing Advantage

With Creative Automation's outsourcing services, it's easy and affordable to remain technologically current. Because you only pay for the resources you use, your MIS costs are reduced by 15 to 40 percent. Plus, the system grows with your business—there's no need to invest in expensive resources in anticipation of future needs.

With Creative Automation, your processing will be handled on the latest technological platforms with the most advanced software available. In fact, this flexible system gives you the option to offload certain applications in order to meet your computer requirements, thereby avoiding upgrading equipment, software or staffing needs. This gives you a competitive advantage, pure and simple.

For more information on how Creative Automation's Outsourcing Services can benefit your company, call 708-449-2800.

Dependable

Resourceful

Flexible

CREATIVE
AUTOMATION
PARTNERS IN RESPONSE

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S. JOSEPH BALSAMO
Vice President

Direct Line 708-236-2410

FAX 708-449-2813

"From an economic standpoint, Outsourcing was the single most important thing I've done in my four years here. It made us take a hard look at ourselves."

**Why Consider Outsourcing?
Our Customers Respond:**

"The process of self examination helps us to identify and clear up internal problems."

"The Outsourcing evaluation helped us to determine how to get the job done at the least possible cost."

"For CIO's the question is not, 'Should I Outsource or not?' but rather 'How should I source my Information/Technology capability? What should I keep in-house and what should I think about moving outside?' Outsourcing is definitely worth taking a look at."

**Creative
Automation
Company
Corporate
Office/Chicago**

**Facility
220 Fend Lane
Hillside, IL
60162-2098**

(708) 449-2800

Eastern Facility

**99 Wood Ave.,
Suite 307
Iselin, NJ
08830-2715**

**Milwaukee
Facility
3050**

**S. Calhoun Road
New Berlin, WI
53151-3549**

Why Not Give Us a Call Today?
We will be happy to share with you the experiences of our many clients and help you determine the viability of Outsourcing for your organization.

What Creative Automation Offers: The latest technology for both hardware and software. A staff of technical professionals who are:

**Quick Problem Solvers
Highly Knowledgeable
Easily Accessible
Expert in Disaster Avoidance**

A comprehensive software library featuring a broad range of on-line interactive applications.



Creative

Automation

Company

Presents

Outsourcing

An Data

Processing

Alternative

1	0	1	0	1
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1	0	1	0	1
0	1	0	1	0

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1	0	1	0	1
0	1	0	1	0
1	0	1	0	1
0	1	0	1	0

Advantages

Outsourcing is an alternative that will significantly impact your company and its bottom line.

Saves Money Reductions in your MIS costs range from 15 to 40 percent.

Flexible Growth Your growth and MIS expenditures are in line with the same growth curve as your company.

Investment Reduction You reduce capital expenses for computer hardware and eliminate major system software expenses.

Dynamic Facilities Your processing will be handled on the latest technological platforms with the most advanced software available.

Extend Your Capabilities Your executives can concentrate their efforts on your core business and make it more successful. The computer staff retained (your applications programmers) can then focus on the needs of your business; servicing customers, collecting receivables, and reducing costs of products or services.

Outsourcing will allow you to direct more resources toward personal computing and LAN.

An Extended Staff Staffing and retaining experienced operations and systems software personnel are no longer a problem. You benefit from the services of the professionals at Creative Automation.

Information Security A computer-controlled security environment regulates access to your data as well as daily incremental backups to ensure the integrity of all files and data.

Flexible Options Spending precious capital or burdening your balance sheet with major capital upgrades of computer equipment, software, or staff, can be eliminated by offloading excess requirements or shifting certain applications which are suited for our systems.

Our commitment to excellence will be the cornerstone of your success.

Who is Creative Automation? Founded in 1969 as a company devoted to providing computer services to a broad range of industries, Creative Automation Company has grown rapidly and wisely — through the careful guidance of a uniquely talented team of business professional and computer specialists.

In the 1980's Creative Automation made two strategic acquisitions: Rexnord Data Systems of Milwaukee, Wisconsin and STAT-TAI of Chicago, Illinois. Both acquisitions expanded Creative Automation's array of high technology computers, power protection and backup systems, and added an experienced staff, highly knowledgeable in the capabilities of Outsourcing and Timesharing.

Creative Automation has enjoyed nationwide recognition for technological superiority for more than two decades. Our specialty is the ability to fully utilize the power of computers by bringing them to practical and efficient application.



OUTSOURCING YOUR XEROX BUSINESS MANAGEMENT SYSTEM (XBMS) PROCESSING

Utilizing XBMS processing provides your company with a service that is critical to the success of your operation. Because of the computer equipment and personnel that is necessary to effectively run XBMS, many companies are finding that outsourcing this application at **Creative Automation** saves them time and money, and provides them with the resources they need to more-effectively run their other in-house applications. It also provides you with the resources you need to handle new internal applications or growth in existing applications.

Advantages

Investment Reduction

Let Creative Automation make the investment. Your company no longer has to upgrade and maintain the necessary hardware and software. This allows you to better utilize your current processing equipment for other applications that might currently be hindered because of the resources that XBMS requires.

Extended Staff

Creative Automation has the staff on hand to service your XBMS outsourcing requirements. Our computer services team will guide you through your migration process and work with you to create a solution that is transparent to your users. A customer service 1-800 line as well as electronic mail allows you to access a member of our team 24-hours a day, 7 days a week.

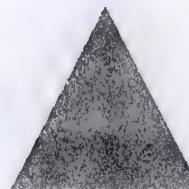
Because we service other companies using XBMS we have the experience that is necessary to anticipate your needs and maintain a facility that has the software and hardware your company needs today in the future.

Information Integrity and Security

A computer controlled security system regulates access to your data and creates daily incremental backups to ensure the integrity of all files and data.

Every precaution has been taken to insure the continued, uninterrupted operation of our Hillside Data Center. Our facility is fully protected and access is restricted to authorized personnel only.

Creative Automation is committed to being your *Partner In Technology*. We are constantly expanding our data center facility to anticipate the needs of our customers. If you would like more information on Creative Automation's computer services please call (708) 236-2410 or fax (708) 449-2813.



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PARTNERS IN TECHNOLOGY

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TIMESHARING

Timesharing allows you to utilize outside data processing services only when you need them. This solution lets you expand your current data processing capability without the overhead of new hardware, software and personnel.

Advantages

Flexibility

Timesharing services can be utilized for applications that your current systems cannot handle, either permanently or as a temporary solution. Creative Automation's timesharing services take care of the overflow when there is too much work and not enough equipment to handle the task. Our processors can support multiple operating systems with all the software you need.

Applications Processing

If you have a data processing application that is utilizing too much of your current resources, Creative Automation can help. Timesharing services allow you to "borrow" all the equipment, storage, hardware and software you need to continue utilizing your application without bogging down your system. Online access to your application gives your users immediate access to the system as they need it.

Extended Staff

Creative Automation has the staff on hand to service your timesharing requirements. Our computer services team will guide you through your migration process and work with you to create a solution that is transparent to your users. A customer service 1-800 line as well as electronic mail allows you to access a member of our team 24-hours a day, 7 days a week.

Because we service other companies like yours we have the experience that is necessary to anticipate your needs and maintain a facility that has the software and hardware your company needs today and in the future.

Information Integrity and Security

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Future Needs

Creative Automation can work with you to determine the future needs of your company. Based on your goals we can provide you with a wide range of capabilities ranging from large mainframe resources, to vast file storage and systems software. We can even help you add capacity to your desktop operations.

Our facility also has a broad range of printing and microfiche resources as well as an extensive library of software for processing online transactions, report writing and scientific applications.

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CRITICAL APPLICATION PROCESSING (CAP)

As computer processing becomes more and more critical to the success of your business, the need for disaster recovery services becomes a reality. Creative Automation provides a flexible disaster recovery service, Critical Application Processing (CAP) which gives you the option to backup only specific application(s) that are critical to your business.

Advantages

Cost Reduction

Creative Automation's CAP services provide you with an alternative to full-service disaster recovery centers. The CAP services allow you to secure only the application(s) that you feel are critical. This low cost option provides you with a level of disaster recovery that is appropriate for your business needs, without the high service fees of a full-service provider.

Extended Staff

Creative Automation has the staff on hand to service your disaster recovery requirements. Our computer services team will work with you to create a solution that guarantees the most effective disaster recovery solution for your critical application. A customer service 1-800 line as well as electronic mail allows you to access a member of our team 24-hours a day, 7 days a week.

Because we have an outstanding array of hardware, software, and communications equipment used to fulfill commitments to our current clients; we have the experience to handle your critical application processing requirements.

Information Integrity and Security

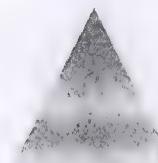
A computer controlled security system regulates access to your data and creates daily incremental backups to ensure the integrity of all files and data.

Future Needs

Creative Automation can work with you to determine the future needs of your company. Based on your goals, we can provide you with a wide range of capabilities ranging from large mainframe resources, to vast file storage and systems software. We can even help you add capacity to your desk top operations.

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Advantages

Investment Reduction

Let Creative Automation make the investment. Your company no longer has to upgrade and maintain the necessary hardware and software. This allows you to better utilize your current processing equipment for other applications that might currently be hindered because of the resources that XBMS requires.

Extended Staff

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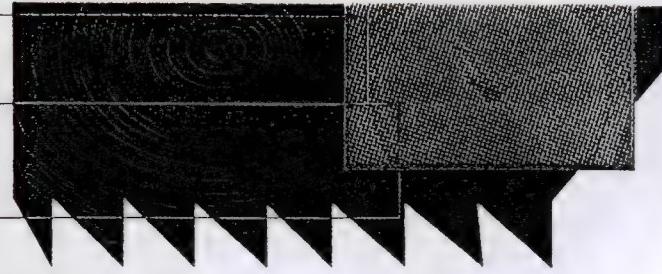
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CREATIVE AUTOMATION



The easy, affordable way to make the transition
from DOS/VSE to the **CUTTING EDGE** of MIS technology

CUT AND DRIED

If you're currently operating in a DOS/VSE environment, and want to make the switch to MVS, AS 400 or to a LAN, you want a solution that's basic -- cut and dried. And that means finding an efficient way for you and your staff to devote your time to the new platform conversion or transition...without burdening your company with duplicate hardware, software and staffing expenses.

CUT LOOSE

You want the flexibility of switching to the latest technological platforms with the most advanced software available. With Creative Automation's solution, this is a goal which can easily be accomplished...more easily than you ever suspected.

CUT COSTS

Through this innovative solution, you can accomplish your conversion goal efficiently and affordably. You don't need to worry about staffing, operating and maintaining your current operation...and, at the same time, hiring or training more people for conversion or transition to a new platform.

NO CUT BACKS

With Creative Automation's revolutionary approach, you retain and retrain your MIS staff to handle the transition to the next platform. Your new platform and software is in-house. You're still in control...and your people are more productive than ever!

A CUT ABOVE

Make the shift to the future. Call Creative Automation today. We have the answers that will help you stay a cut above in technology!

CALL CREATIVE AUTOMATION TODAY.

WE'RE CUT OUT FOR HELPING YOU!

CALL 1-800-535-4127 TO FIND OUT MORE...

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Forming a
long-term partnership
to help
meet
your information
needs.

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V. CUSTOMER SERVICE/LEAD GENERATION COMPANIES

A. Sector Overview

In assessing candidates it became clear that many telemarketing companies are in the process of improving their capabilities in lead generation and customer support. These are higher growth and higher opportunity areas. However, these companies are still in a state of transition and all continue to offer a variety of telemarketing services.

Surprisingly, the associations and groups involved in the telemarketing industry do not have agreed-upon figures for the size or growth of the industry. Based on available industry data and INPUT's analysis of 175 companies in its database, INPUT has made the following estimates:

- Based on industry surveys, the overall level of resources devoted to inbound/outbound telemarketing and customer service centers are between \$40-50 billion. These figures should be taken as order of magnitude only, since, in principle, anyone who takes a telephone call is providing a customer support function.
- INPUT estimates that size of the commercial third party telemarketing industry is between \$3-4 billion.
 - Overall, the business is growing 3-5% annually.
 - INPUT believes, based on interview data, that the higher-end functions, such as those targeted by D&B Services are growing at 5-10% a year.
- However, in INPUT's opinion, since D&B is, essentially, looking to induce demand in a new market, its business should not be bound by these industry norms:
 - The value-added parts of its offerings will set it apart from both a growth and profitability standpoint.
 - D&B will not (or should not) be competing in the \$3-4 billion served market but in the \$40 billion+ unserved market.

B. Evaluation Criteria

D&B and INPUT jointly developed the following criteria to use to evaluate candidates.

- Continuity of Customer Relationships: Long term contracts are most desirable and project work least desirable.
- Value-added by services: This is examined in terms of services currently offered as well as the potential for adding value in new areas of business.
- Technology: Current technology as well as the potential for improved technology, especially in new areas. A company that has good technological capabilities now would be penalized if there is no evidence of continued progress. This is reasonable, because these are areas with a high degree of technical change; to a large extent, companies must run to stay in the same place.

- Business Process Management capabilities: Again, both current and potential capabilities are evaluated. Potential capabilities are looked at from the standpoint of the company as a standalone entity. One of the critical issues for future evaluation is the degree to which a connection with D&B Services will increase the firm's BPM capabilities.
- Fit with D&B
- Overall Assessment

C. Candidate Summary and Assessments

On the following page, INPUT has assessed the leading candidates against the major evaluation criteria. Only one candidate, One-Call, should be eliminated at this point, in INPUT's opinion. One-Call appears to be a very good company, but is in such a narrow niche that it appears unlikely to serve as a good platform for D&B's concept.

Communications Service Centers could be a good candidate, depending on the characteristics and capabilities of the marketing database acquisition:

Each of the other three candidates has a combination of positives and negatives. INPUT concludes

- There is no obvious leader at this point.
- None should be rejected out of hand.
- Further investigation is required. INPUT believes that this investigation can only be fruitful if the D&B concept is discussed frankly with the candidates, preferably by D&B Services itself.

D. Candidate Detail

On the following pages is detail on each company.

- Further analysis, based on data collected plus interviews with executives of each firm specially for this study.
- Descriptive material supplied by each firm.

D&B also requested that INPUT profile Matrixx Marketing (a telemarketing subsidiary of CBIS) and Vantive, a call center software firm. Their profiles are in Appendix 5.

CANDIDATE SUMMARY AND ASSESSMENTS:
Customer Service/Lead Generation Companies

<u>Criteria</u>	<u>Inter Media</u>	<u>Zacson</u>	<u>Commun. Service Centers</u>	<u>One-Call</u>
Size	\$20MM	\$40MM est.	\$9MM	\$5MM
Markets	Finl Svcs, Catalogs	Finl Svcs, Telecomm	Catalogs, Drug Cos	Utilities
Customer Relationships	Long Term Relationships; Projects	Long Term Relationships	Long Term Contracts & Rel.	Long Term Contracts
Value- Added				
• Current	Good - Full Service	Good - Full Service	Fair - TM Focus	Good - in Niche
• Potential (New Areas)	Unclear	Unclear	Low	Unknown
Technology				
• Current	Fair	Good	Fair/Good	Fair/Good
• Potential (New Areas)	Fair - Making Improvements	Unknown	Unknown	Unknown
BPM				
• Current	Fair/Good	Fair/Good (Consulting)	None	Good - in niche
• Potential (on Own)	Good	Good (Attitude)	Probably None	Low
Fit with D&B	Good - Full service approach (also minus?)	Good (Attitude)	OK - If database co. fills holes	Too niche oriented?
Overall Assessment	Good • Broad market knowledge • Technically Competent	Good • Broad mkt knowledge • May be technically advanced	Fair/Good • Very good TM company	Good • In niche

V.

D. Candidate Detail

COMPANY INFORMATION

Name INTER MEDIA MARKETING

Address 201 Carter Drive
West Chester, PA 19382

Telephone 610-696-4646 (Voice)
610-692-7210 (Fax)

Officers Frank Petrone, Pres.

BUSINESS CHARACTERISTICS

Revenue 1994
\$20M+

Growth Unknown

Description of Businesses • Full service Telemarketing

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	<ul style="list-style-type: none">• 60% of revenue - majority is inbound telemarketing	<ul style="list-style-type: none">• With the increase in outsourcing, this is expected to be a growth area.	<ul style="list-style-type: none">• 35% of revenue is outbound short term projects	

VERTICAL MARKET SPECIALIZATION

- | Markets | Offerings |
|--|--|
| <ul style="list-style-type: none"> • Distribution/Mail order
 • Financial services, Insurance | <ul style="list-style-type: none"> • Inbound telemarketing and order processing • Outbound telemarketing |

BUSINESS CAPABILITIES: Value - added Characteristics

Area	Relative Importance	Change Expected
Customer Service	High	None
Lead Generation	High	None
Direct Response (Inbound)	High (one of the few firms that hire permanent service reps.) The service is transparent to incoming callers.	None
Outbound	High	None
Other	High for overflow (backup customer service) and transparent credit card authorization	None

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none">• Inbound telemarketing completely computerized from call scripts to automatic call distribution	<ul style="list-style-type: none">• Moving to computerization of outbound call system to become more competitive	<ul style="list-style-type: none">• Proprietary inbound service system that is completely transparent to callers.

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none">• For many clients, they become the complete back office operation, implementing whatever services the client requires.
Integrated Marketing Campaigns	<ul style="list-style-type: none">• Provide these services as an additional service to clients, not a main focus, ancillary to their business.
Other Areas	<ul style="list-style-type: none">• The main focus is to provide customer service and inbound telemarketing that is completely transparent. The caller believes that he is speaking with an employee of the firm he is calling.• Credit card authorization services are provided to clients on inbound order processing.

BUSINESS PROCESS MANAGEMENT

- Current** • Heading in that direction within the TM niche
(Broadly defined)

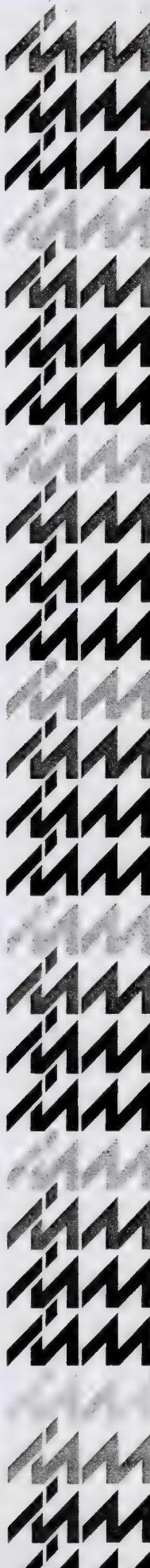
- Potential** • "Attitude" seems good, although not as prominent as Zacson.

- FIT WITH D&B** • Quote from sales material: "If you're looking for an agency to provide basic, minimal order-taking service, IMM may not be the company for you."

- OWNERSHIP** • Partnership
• Originally six partners, now three: Andy Thompson, Paul Santry, Arthur Kanca
• First two are active in company

OVERALL ASSESSMENT

- Have seized the outsourcing concept.
- Broken through the size barrier.



COMPANY BACKGROUND

Headquartered in West Chester, Pennsylvania, IMM has been in business since 1983, and has consistently enjoyed financial stability and success in a turbulent market. As a privately held partnership, the managers and members of the management committee have a personal stake in successfully managing your company's telemarketing programs. Our headquarters is strategically placed at the hub of five satellite facilities in the Philadelphia area. With over 850 telemarketing representatives, IMM operates 24 hours/day, 7 days/week, 365 days/year.

SERVICE OVERVIEW

IMM is a telemarketing service agency that specializes in designing and managing customized marketing systems that integrate inbound and outbound telephones, data processing and fulfillment to meet specific client needs. Our niche in the industry is customized systems and programs supported by telemarketers and service representatives often capable of handling more technical and/or quality intensive calls. On the inbound side of our business, virtually all of the 800# response we handle (100,000+/week) originates from our clients' consumer oriented advertising and/or customer communications. Our outbound business is almost entirely communicating with existing customer files, through upgrades, cross-sells, new product introductions, etc.

FULL-SERVICE CAPABILITIES

This is an especially important point for you to consider in dealing with any telemarketing service agency. Only a few agencies can really offer you full-service capabilities, and IMM is proud to offer you complete program management and analysis in-house. This makes your job easier, and your results more measurable. Our services include inbound and outbound telemarketing, response reporting and analysis, customized fulfillment programs, lead processing and tracking, printing and personalization, and database design and development.

Let us show you how much of a difference an innovative approach to meeting your goals can make! Your success is our success . . . call 1-800-835-3466 for more information.

INTRODUCTION TO INTER-MEDIA MARKETING

QUICK FACTS

YEAR FOUNDED:

1983

SERVICES:

Inbound 800 Telemarketing
Outbound Telemarketing
Order Processing
Fulfillment

CALL CENTER LOCATIONS:

West Chester, PA (Headquarters)
Lancaster, PA
Allentown, PA
Springfield, PA
Lakewood, NJ

FULFILLMENT CENTER:

West Chester, PA

NUMBER OF WORKSTATIONS:

Inbound: 230+
Outbound: 340+

SIZE:

Ranked in top 25 telemarketing agencies by *Telemarketing Magazine*.

Ranked in top 15 outbound telemarketing agencies by *TeleProfessional Magazine*.

NUMBER OF EMPLOYEES:

1100+

TSR PROFILE:

Education: 70% some college, 24% college graduates

Age: Mean age of 30 years

Experience: 14 months average telemarketing experience

Employment Status: 35% full time, 65% part time

CURRENT VOLUME:

Inbound: 100,000 calls/week
Outbound: 30,000 hours/month
Order Processing: 100,000/week
Fulfillment: 20,000/week

OUTBOUND SERVICES

IMM is experienced in a wide range of outbound business and consumer marketing applications. TSRs are educated in professional sales techniques that are applied in a consultative approach, consistent with our relationship-building philosophy. The goal of each customer contact is to build and/or expand the customer relationship by leaving a positive impression of your company with that customer — we even find that those who say "no" to the offer are still complimentary about the phone call itself.

Each program relies on dedicated TSRs and sales managers working in a tightly controlled environment, thereby ensuring that your message is delivered consistently and fairly. TSRs are instructed to be very objectives-oriented, and are highly motivated by effective leadership and incentive programs. You'll not only benefit from the cost-effective up-front sales, but you'll find that our approach also results in strong back-end results, which is the real test of any sales effort.

APPLICATIONS

A wide variety of outbound applications is available, ranging in complexity and average call length. Outbound programs are conducted in both on-line and manual environments:

- Product Sales
- Lead Generation/Qualification
- Customer Retention and/or Renewal
- New Product Introductions
- Continuity/Inventory Cycling
- List Building and Cleaning
- Appointment Setting
- Professional Recruiting
- Market Research
- . . . and more

QUALITY ASSURANCE

All outbound programs are carefully managed to ensure the quality level you desire. Initial and ongoing educational programs are designed to fully educate the TSRs about your programs, products, offers and appropriate sales techniques. Instruction tends to be extensive, but we have found that our commitment to up-front education often reduces the TSRs' learning curve that occurs with a new program, and leads to higher sales and retention rates of our TSRs. You benefit from better results and more cost effective sales.

We maintain rigorous and ongoing quality assurance measures: all TSRs are regularly monitored and reviewed to ensure that all phases of their sales presentations are being properly delivered, rebuttals are being appropriately used, and that active listening is maximizing your sales/conversion rate. All sales are verified according to your specifications.

Our approach is different, but our results are different, too! If your outbound program needs a unique approach, is a little bit more complicated than the average sale, or you're concerned about maintaining your image, IMM is ready to enhance your results.

Let us show you how much of a difference an innovative approach to meeting your goals can make! Your success is our success. Call 1-800-835-3466 for more information.

INBOUND SERVICES

The rapid growth of toll free 800 response programs in the telemarketing industry has been met with a continual stream of innovations at IMM. You'll find that our approach to offering Inbound Services is unique. We are not a commodity vendor, but strive to provide you with a true, value-added service. Our TSRs are educated to react to your customer needs because our training programs are focused on your objectives. Our TSRs adopt a sales approach, and focus on building a relationship with each caller. You'll soon see that we provide more than just the average order-taking services. To ensure the quality of each call, we maintain a very deliberate and consistent quality assurance program for every client. This is why we mean it when we say that we don't just talk about quality, we deliver it.

SERVICES

"Dedicated Service" provides dedicated lines and people to your program, and is generally reserved for applications requiring an extremely high level of service and comprehensive TSR training. Applications currently being serviced in this way include lead generating programs for IMM's mutual fund clients, application processing and customer service for health insurance clients, and sales and service for telecommunication clients. Other applications include database-driven customer service and sales to existing customers for one of the country's largest consumer product marketers.

"Shared Service" relies on lines and people shared with other IMM clients. This is usually a cost effective alternative for those clients whose products are generally less technical in nature, and whose programs may produce cyclical volumes. Even though operating in a shared environment, all calls are answered in the client name, to provide the professional representation you require.

All services are available 7 days/week, 24 hours/day.

Let us show you how much of a difference an innovative approach to meeting your goals can make! Your success is our success...call 1-800-835-3466 for more information.

APPLICATIONS

With over 850 highly educated and professional Telephone Representatives available to answer your calls, IMM has the resources and experience to deliver high-quality inbound services that include:

- Product Order Capture
- Catalog Order Capture
- Lead Generation
- Subscription Renewal
- Literature Requests
- Reservation Booking
- Dealer Locator
- Order Processing
- Inquiry Handling
- Database-driven Customer Service
- Product Information
- Market Research

Quite frankly, if you're looking for a service agency to provide basic, minimal order-taking service, IMM may not be the company for you. But, if you're looking for a new way to handle responses to your toll free 800 promotions, and you need a customized approach with high quality delivery, let's talk.

As a full-service agency, IMM offers these services to complement and support your direct marketing programs.

DATABASE MANAGEMENT

Effective database management enables you to work smarter because it provides information about customers and prospects, letting you target the most likely segments for your products/services. We offer:

- File Maintenance
- Customer Profiling
- File Segmentation
- Post-Marketing Analysis

FULFILLMENT

With our inhouse personalized printing and fulfillment capability, we can capture caller information "on line" and generate and mail personalized correspondence along with product information or special offers. Since packages can be fulfilled within twenty-four hours, callers receive your literature while their interest is at a peak.

LEAD TRACKING

IMM's proprietary computerized lead tracking systems are integrated with telemarketing and inquiry handling programs to process, qualify, distribute, monitor and report on the lead flow for each program by segment and/or source.

ORDER PROCESSING

Our system allows for efficient processing of credit card, prepaid and bill-me orders. Processing is provided on a one-time or on-going program basis.

DATA ENTRY

IMM provides daily mail pickup, caging, cashiering and data entry of records for database development, inquiry handling, sweepstakes, list cleaning, order processing, literature fulfillment, and direct mail applications.

RESERVATION HANDLING

Developed in-house, our proprietary system enables us to provide booking of free or paid reservations to a variety of events. Offers can vary by source; with cross sell and upsell capabilities. Event blocks can be updated within hours; transmission (CPU to CPU) of daily manifest block analysis and source reporting is included.

It is this ability to contribute value-added services at any point in the telemarketing/direct marketing chain that sets IMM apart. We are not a one-dimensional company; rather, we help in the design of marketing systems which best utilize each of the media involved, allowing you to put all controls under one roof and thereby providing your programs with the greatest opportunity for success.

Let us show you how much of a difference an innovative approach to meeting your goals can make! Your success is our success . . . call 1-800-835-3466 for more information.

A sampling of clients served by IMM. . .

American Telecast Corporation
 Bell Atlantic
 Blue Cross / Blue Shield
 BMW
 Cashs of Ireland
 Dale Carnegie
 Digital Cable Radio
 Dow Jones & Company
 Franklin Mint
 MBNA America
 Museum of Modern Art
 National Liberty Corporation
 Oxford Health Plans
 Philadelphia Electric Company
 START, Inc.
 Student Loan Marketing Association
 The Vanguard Group
 United States Postal Service
 Victoria Jackson Cosmetics
 Wall Street Journal
 Yves Rocher

...and what they say about us. . .

"...thank you and all of your staff for the wonderful job you have been doing with customer relations. I feel good knowing that everyone is extremely well-informed, and that questions are answered thoroughly and problems are resolved quickly. The quality of the service is equally important as the quality of the product, and you are truly contributing to the growing success of our company."

-VICTORIA JACKSON COSMETICS

"We appreciate your help in starting The Wall Street Journal's inbound telemarketing program. . . Your professionalism and attention to detail have been greatly appreciated."

-DOW JONES & COMPANY, INC.

The folks who have been providing service to our customers (all ATC companies included) have from day one till present performed a very special and well done job. To all staff members at IMM involved with our customers, thanks for a great job. . . You are one great bunch of folks."

-AMERICAN TELECAST CORPORATION

"Your people have done a fine job for us. . . we appreciate their interest and enthusiasm. IMM's flexibility in responding to Vanguard's needs. . . is to be commended. As a result of these contributions by IMM, Vanguard was able to instill confidence in our investors."

-THE VANGUARD GROUP OF INVESTMENT COMPANIES

"I want to let you know how pleased I am with the quality of service that Philadelphia Electric Company receives from IMM. . . IMM always seems to be willing to go that extra mile. . . your staff is open to our specific requests, but ready with advice based on extensive experience when we ask for it. We are pleased to be doing business with IMM."

-PHILADELPHIA ELECTRIC COMPANY

"Inter-Media Marketing's emphasis on quality and customer satisfaction exemplifies your commitment to keeping the "Customer First". . . Equally important as your emphasis on customer satisfaction is your dedication to doing whatever it takes to get the job done. The people at Inter-Media Marketing really understand the importance of turning challenges into opportunities. All the people of IMM have proven time and time again they are ready for any challenge."

-MBNA AMERICA

Let us show you how much of a difference an innovative approach to meeting your goals can make! Your success is our success . . . call 1-800-835-3466 for more information.

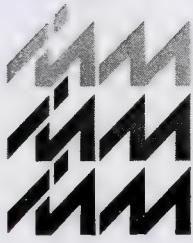


A sampling of clients served by IMM. . .

American Telecast Corporation

Bell Atlantic

BMW



Borland International

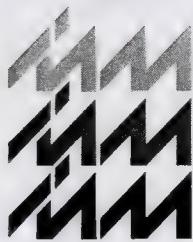
Cashs of Ireland

Dale Carnegie

Dean Witter

Delaware Valley HMO

Delmarva Power



Digital Equipment Corporation

Dow Jones & Company

Franklin Mint

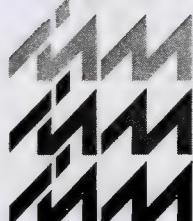
National Liberty Corporation

Philadelphia Electric Company

Resorts International

Rollins Burdick Hunter

Student Loan Marketing Association



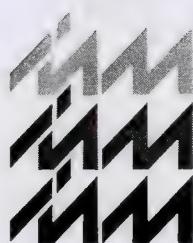
The Vanguard Group

TV Guide

United States Postal Service

Victoria Jackson Cosmetics

Wall Street Journal



. . .and what they say about us. . .



"...thank you and all of your staff for the wonderful job you have been doing with customer relations. I feel good knowing that everyone is extremely well-informed, and that questions are answered thoroughly and problems are resolved quickly. The quality of the service is equally important as the quality of the product, and you are truly contributing to the growing success of our company."

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—AMERICAN TELECAST CORPORATION

"Your people have done a fine job for us. . . we appreciate their interest and enthusiasm. IMM's flexibility in responding to Vanguard's needs. . . is to be commended. As a result of these contributions by IMM, Vanguard was able to instill confidence in our investors. . . ."

—THE VANGUARD GROUP
OF INVESTMENT COMPANIES

"Thank you for the telemarketing services. . . provided Delmarva Power. This program was a difficult one to sell to our customers. . . however, the enthusiasm your staff showed about the program provided us with the results we needed. . . ."

—DELMARVA POWER

"I want to let you know how pleased I am with the quality of service that Philadelphia Electric Company receives from IMM. . . . IMM always seems to be willing to go that extra mile. . . your staff is open to our specific requests, but ready with advice based on extensive experience when we ask for it. We are pleased to be doing business with IMM."

—PHILADELPHIA ELECTRIC COMPANY



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Currently, IMM is the "back-end" administrator for all of ATC's various business units. The services are wide ranging and include virtually all that IMM offers. They include:

- * daily downloads of new customer data from their inbound TV marketing agency
- * credit and payment processing, cycled billing systems
- * customer service, inbound and mail
- * Inbound reorders and consumer education
- * Outbound sales and customer service
- * mail order processing
- * order processing, manifesting
- * continuity order and payment processing
- * data base management

In total, IMM serves or interacts on-line with an active customer file of approximately 7 million consumers. In 1993, IMM handled approximately 2.2 million calls for ATC's companies and processed over 4 million transactions.

B.20. CUSTOMER SERVICE CALL HANDLING & INFORMATION TRACKING

IMM will build an integrated communication and information system which will have the following major components:

Inbound Telemarketing

- * Call types will be defined by you and include RFIs, Help w/App., Other Serv. Providers, Callbacks, Missing Info, Non-Phone / Quote, Claims/CR, Questions and Declines. They will be segmented by region.
- * Inbound TSRs will be educated and tested regularly on product knowledge and interface functionality.
- * Call outcomes will be tracked by TSR, by caller ID and Alpha Key. Call outcomes will be system assigned when possible, otherwise outcomes will be assigned by TSR.

customer / prospect base. The fund's objective was met, and in fact exceeded, since Vanguard filed for and sold more shares than the objective.

NATIONAL LIBERTY GROUP

The National Liberty Group is among the nation's largest direct response insurance companies and a leader in developing and bringing innovative products to market. Due to the size of its customer and prospect base and despite a large in-house telemarketing operation, National Liberty uses the resources of several high volume outbound service agencies. IMM is pleased to be among the agencies deemed qualified to do National Liberty work. The telemarketing applications are wide ranging and include inbound and lead capture qualification and appointment setting; outbound calling for new customer acquisition, cross marketing and conservation. Our insurance product experiences include hospital, accident, whole life and term life offers as well as follow-up marketing on policy applications and additional rider offers.

To help achieve the highest quality possible, IMM has an ongoing program to license sales and service representatives as A/H agents and telemarketing programs are managed by Bob Pauxtis, a 20 year direct response insurance veteran and supported by approximately 180 experienced, licensed agents.

AMERICAN TELECAST

For the past fifteen years American Telecast has been an industry leader in direct response TV. More recently they have been an innovator in the use of 30 minute "infomercials". Among their most recognizable products are Richard Simmons' Deal-A-Meal, Victoria Jackson Cosmetics, Lori Davis Hair Care, Cher Skin Care Company and more recently Jane Fonda's treadmill. ATC is the most successful, credible company in the infomercial industry with over \$250 million in sales annually.

Due to the successful launch of Victoria Jackson Cosmetics in the fall of 1989, ATC turned to IMM to create a customer service and order processing system capable of processing thousands of transactions a day. To properly service customers, a data base driven customer service and sales system supporting 40 TSRs and thousands of calls per week was in place within 30 days. Since 1989, ATC generated and IMM serviced over 2 million V.J. customers.

In early 1994 ATC launched Westgate Fitness marketing "Jane Fonda's Treadmill". Customer service call volumes were projected to total 2,000 calls per week and gradually increase as the national TV launch progressed. Call volumes in week one, exceeded 8,000 calls and quickly thereafter grew to over 20,000 calls per week. Within weeks despite severe winter weather conditions, service levels were under control and meeting objectives.

In addition to Oxford we also serve Blue Cross/Blue Shield of Illinois and Virginia and National Liberty Insurance in similar, but somewhat less technical capacity.

Each of the above has a high percentage of 50 plus customers.

In addition, two of our executives were employed by Colonial Penn Insurance when they were actively marketing insurance to AARP members. Frank Petrone, in particular, was active in a marketing capacity.

B.19. CASE HISTORIES

THE VANGUARD GROUP

The Vanguard Group is among the leaders in the financial services industry and for the last several years has been recognized as the leading customer service provider in the mutual fund industry. Due to the effectiveness of their advertising and the popularity of their products, Vanguard found themselves unable to handle the volume of phone inquiries into their in-house "800" center. Thousands of potential leads were being lost every day. Also important to note is that Vanguard's internal department was and continues to be staffed by a high percentage of college graduates, many of whom are also registered representatives. In January of 1986 IMM dedicated a portion of its facility to Vanguard to handle a percentage of their daily calls, all evening and weekend responses. To properly prepare the TSRs, a sophisticated on-line system was developed to capture inquiries from over 1000 sources and provide detailed information on over 60 investment funds. The system was written, lines and equipment installed, and a staff professionally trained, all within 20 days. The relationship continues today with those leads being handled by IMM converting at a rate equal to Vanguard's in-house department.

In addition to using IMM's inbound capability, in early 1987 Vanguard launched a new fund with an investment goal of \$100 million by June. To help meet this goal Vanguard used, for the first time on a wide scale basis, outbound telemarketing to follow-up on the leads generated. IMM was selected to conduct all outbound calling to Vanguard's

COMPANY INFORMATION

Name ZACSON CORP.

Address 3825 Hopyard Road
Pleasanton, CA 94588

Telephone 510-463-7300 (Voice)
510-463-7321 (Fax)

Officers Dwaine Canova, Chmn
Joe Smith, Pres., COO

BUSINESS CHARACTERISTICS

Revenue 1994
\$40 - \$55M (est.) [Figures provided vary widely]

Growth Unknown

Description of Businesses • Provides full range of services to reengineer the sales and marketing areas, including integrated marketing campaigns, call center consulting and development and integration of direct market capabilities.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
		• 90% of revenue	• 10% of revenue	• Some supply of overflow services on a short term basis

BUSINESS PROCESS MANAGEMENT

Current • Provide additional services, especially consulting, to clients.

Potential • Needs additional one-on-one discussion

FIT WITH D&B

- Technology & database design good capabilities
- Need more investigation on depth
- "Attitude" seems in sync with concept

OWNERSHIP

- 92% of company owned by chairman/CEO, Dwaine Canora & Janet Canora

OVERALL ASSESSMENT

- Good range of services.
- Growth rate not clear.
- Outbound emphasis may not be desirable.
- Seems to have "right attitude".

ZACSONSM

INTELLIGENT MARKETING

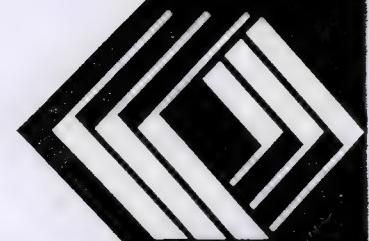
INTEGRATED

TELE-SALES

AND

MARKETING

SERVICES



► ZACSON
CORPORATION

► THE POWER OF
INTELEGENT
MARKETING™
► 3825 Hopyard Rd.
Suite 220
Pleasanton, CA 94566
► 1-800-248-1800



Zacson Corporation CORPORATE OVERVIEW

Service Offerings:

- > Call Center Management
- > Call Center Automation
- > Consulting
- > Multi-Lingual Telemarketing
- > Inbound & Outbound Telemarketing
- > Business & Residential Telemarketing

Teleservices Applications:

- > Sales
- > Lead Generation & Management
- > Customer Acquisition & Retention
- > Market Research
- > Account Management

Capacity:

- > 450 Inbound Stations; 650 Outbound Stations

Telemarketing Automation:

Fully automated, Zacson's proprietary **Sales & Marketing Support System (SAMSS)** offers superior flexibility and customized reporting. It is further enhanced by **EDGE®** contact management software.

Primary Markets:

- > High Technology
- > Financial Services/Insurance
- > Telecommunications/Bell Operating Companies
- > Sports Marketing

Awards:

American Telemarketing Association's **TELO Award** winner for "outstanding innovation & superlative standards" 6 consecutive years.

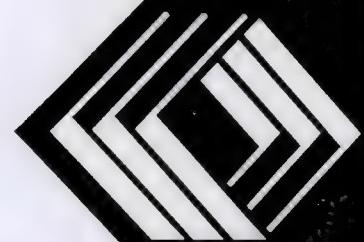
Call Center Magazine's **CALL CENTER EXCELLENCE Award** for 1992.

Background:

Founded in 1980, Zacson is one of the oldest, largest, and most respected agencies in the industry. Zacson is privately held with over 1,200 employees in offices nationwide:

Locations:

- > Pleasanton, CA
- > Aurora, IL
- > Springfield, MO
- > Joplin, MO
- > Raleigh, NC
- > San Ramon, CA
- > Mtn. View, CA
- > San Jose, CA
- > Santa Clara, CA
- > Harrison, NY



ZACSON
CORPORATION

THE POWER OF
INTELEGENT
MARKETING
3825 Hopyard Road
Suite 220
Pleasanton, CA 94566
1 800 248-1800

With the skyrocketing cost of an outside sales visit, a marketer of business accounting systems was determined to ensure that each and every appointment was productive. Zacson was enlisted to design and implement a program that would generate more sales leads and of a higher quality.

Our recommendation was a telemarketing program that not only qualified prospects, but stimulated enough interest in the product to actually set an appointment for the field Sales Rep to make a personal presentation.

Then to ensure that no one "dropped the ball," Zacson designed an automated Lead Tracking System. It first armed the field Rep with a full profile on each prospect, and then followed up after the appointment to verify and compile results, estimate a close date, and project annual revenue.

The results: Lower cost of sales, a shorter sales cycle, and an improved sales management system.

A small manufacturer of educational software sought to open a new marketing channel for their flagship product by selling directly to schools. They faced several challenges: It was difficult to identify and reach purchase decision makers, they had low product recognition, and narrow margins constrained the marketing budget.

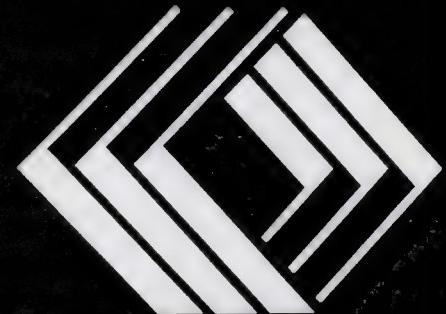
After careful analysis, Zacson recommended forming a strategic partnership wherein we would execute a multi-step telemarketing program to reach buyers, convey the product's benefits, forward literature, schedule call-backs, and close the sale. In essence, Zacson provided an inside sales department for our client.

The results: In less than 2 years, product recognition grew to "one of the best on the market," sales goals were exceeded by 7%, and cost per sale was held profitably low.

A Bell Operating Company was poised to launch a revolutionary new phone service to their residential customers. Massive media was planned to drive calls into an 800 number where customers could get in-depth information, request product literature, or order the service. As the product was completely new, target market demographics were speculative.

Zacson was asked to provide the expertise to develop and implement a sales program that integrated inbound telemarketing, literature fulfillment, and coordinated with the client's in-house customer service center. Recognizing the critical need for immediate market feedback, Zacson also designed an information system to help analyze buyer demographics, motivation and media effectiveness.

The results: cost of sales 9% lower than projected; sales close ratio 25% higher than projected; accurate, up-to-the-minute market analysis.



Zacson management adheres to the credo that success is measured by our level of Integrity, Creativity, Discipline, and Performance. This is reflected throughout our organization, but perhaps is most clearly illustrated in the caliber of relationships we forge with our clients.

Attentive, intelligent service... honest, direct communication... the dedication to follow-through on the details... the motivation and savvy to consistently deliver more than is asked for has elevated our standing to that of a strategic, consultative business partner.

If your company could benefit from this level of sales and marketing support, we invite you to contact us for a consultation.

1 800 248-1800

PIONEERING

THE NEXT

GENERATION

OF DIRECT

SALES AND

MARKETING



S UCCEEDING TODAY

We're doing business in an age when the competition attacks from the 4 corners of the globe, and the clamor for a customer's attention—not to mention their money—has never been more intense.

Consequently, success depends more and more on reaching customers in a direct, meaningful way. Understanding their needs and target marketing to meet them. Building a two-way rapport that's based on real life, not advertising hype.

This is also an age when business walks a tightrope, caught in a balancing act of reducing expenses while simultaneously boosting the level of service, quality and innovation that the marketplace demands.

ZACSONSM

Zacson Corporation provides one means to accomplish this.

For over a decade, we have been pushing out the boundaries of direct sales and marketing, building and implementing creative, strategic programs for our clients that have consistently resulted in:

- increased sales at lower cost per sale
- improved productivity and shorter sales cycles
- elevated levels of customer satisfaction—and retention
- expanded customer service with greater efficiency
- and back-end data analysis to spot issues or trends and respond effectively.



I NTEGRATED TELEMARKETING

Central to Zacson's success has been the innovative use of telemarketing and our ability to customize its application—to identify, design and implement the right strategy to connect our clients with their customers and attain the goals set forth.

Also important has been Zacson's ability to understand and supplement our clients' overall marketing objectives, intelligently integrating not only with direct mail, advertising and promotions, but with field sales as well.



For an unprecedented 5th consecutive year, the American Telemarketing Association has honored Zacson with the national TELO AWARD for outstanding innovation and superlative standards.

Boost Revenues, Trim Costs, Maximize Opportunities TELESALES & ACCOUNT MANAGEMENT

The Dilemma

Headcount is shrinking, resources are dwindling, competitors are encroaching, and you have a strategic product to market. Your mandate:

- > Boost revenues while lowering the cost per sale.
- > Cover the market - don't leave 80% of your prospects untouched.
- > Stimulate usage and increase customer retention.
- > Identify add-on/cross-sales opportunities.

The Solution

Tap the potential of the small to mid-sized business market by outsourcing sales and ongoing account management to Zacson. These accounts become profit centers when managed economically. Our comprehensive services span the entire sales cycle:

- > Lead generation and management.
- > Targeted application & consultative sales.
- > Customer service.
- > Customer retention.

And Zacson's Sales & Marketing Support System (SAMSS) provides a state-of-the-art contact management platform that can also capture and summarize invaluable information on:

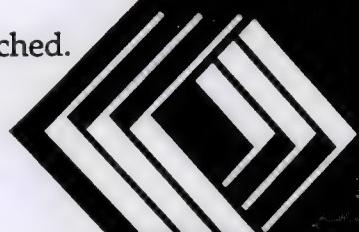
- > Decision makers, buying criteria, and purchasing habits.
- > Sales trends, and forecasts.
- > Product usage and business applications.
- > Advertising and promotional media effectiveness.
- > Customer perceptions, feedback, desired enhancements.
- > New sales opportunities for upgrades and add-on products.

The Results

Intelligent, professional sales and marketing delivered in a cost-effective and highly productive manner.

- > Increased incremental revenue.
- > Expedited market penetration.
- > Strategic products in place for complementary offerings.
- > Future opportunities identified for follow-up.

For more information, please contact Zacson for a consultation.



ZACSON
CORPORATION

THE POWER OF
INTELEGENT
MARKETING™
3825 Hopyard Road
Suite 220
Pleasanton, CA 945
1 800 248-1800



Corporate Headquarters

3825 Hopyard Road

Pleasanton, CA 94588

1 800 248-1800

510 463-7300

510 463-7321 fax

Offices Nationwide

COMPANY INFORMATION

Name COMMUNICATIONS SERVICE CENTER

Address 777 S. State Road 7
Margate, FL 33068

Telephone 800-537-8000 (Voice)
305-969-2407 (Fax)

Officers Wendy Schooster, Pres.

BUSINESS CHARACTERISTICS

Revenue 1994
\$8.5M (est.)

Growth Unknown

Description of Businesses • Full range of inbound and outbound telemarketing services.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	• 70% of revenue	• 20% of revenue	• 10% of revenue	

VERTICAL MARKET SPECIALIZATION

- Markets**
- Catalog industry
 - Pharmaceutical

- Offerings**
- Inbound and outbound telemarketing, fulfillment services.
 - Lead generation and brochure fulfillment services.

BUSINESS PROCESS MANAGEMENT

Current • Solid TM company that has, so far stayed in its place

Potential • Altitude unknown: needs direct discussions

FIT WITH D&B • Good solid TM company, respected in industry.
• Could be good fit with a broad-based marketing database company

OWNERSHIP • Family owned (Schooster family)
• Family holds most management positions

OVERALL ASSESSMENT

- Good reputation in industry.
- Innovative technology
- Interesting target



1-800

- Order Taking
- Customer Service
- Lead Generation
- Fulfillment
- Fund Raising
- Market Research
- Political Action
- Dedicated Operator

**150 Telephone Operators
24 Hour 7 Days, *Every Day*
365 Days a Year**



BROWARD BUSINESS SERVICES, INC.
National '800' Order Taking
with Visa/Mastercard Services
'800' Inbound Call Center
Telephone Answering Services
Mail Receiving & Forwarding
Voice-Mail Services
Wide Area Pagers & beepers
Shopping Mall Telephone Service
A COMPLETE COMMUNICATIONS COMPANY



Communication Service Centers is the leading inbound call center in South Florida, with over one hundred inbound automated positions for 1-800 applications. The company was founded in 1974 as a telephone answering service in the state of Florida. Communications Service Centers employs over 300 people in two state of the art locations. The company is family owned and operated with 24 hour, 7 days a week, 365 days per year operation with technicians, monitors and trainers on duty 24 hours.

Communication Service Centers is a leader in direct response inbound 1-800 specializing in order taking, fulfillment, customer service, political action, help desk, lead generation and fundraising. We have been selected by Telemarketing Magazine as one of the **Top Fifty Inbound Call Centers** in the U.S.A.

Our clients include Circuit City Stores, National Association of Broadcasters, Hearst Publications, WPIX New York, Mellon Bank, IBM, American Collegiate Marketing, Joan Rivers, and many others.

We welcome you to visit our facilities in Margate, Florida. It is an opportunity to meet our TSR's,(Telemarketing Service Representatives), supervisors, customer service representatives, fulfillment staff, bookkeeping, programmers, etc....

We look forward to a mutually rewarding relationship.

PROVIDING COMMUNICATIONS SOLUTIONS

BUSINESS

The Herald

SECTION
WEDNESDAY,
DECEMBER 7, 1994



JENNIFER POOCHE / For The Herald

WORKING TOGETHER: From right, CSC founder Herman Shooster and his wife Dorothy; their son Michael with grandson Forrest; son Stephen, daughter Wendy Shooster-Leuchter; and daughters-in-law Alizabeth and Diane.

Toll-free calls = big bucks

Margate firm rings up revenue with 800 service

By SHARI HENNESSY FERRER
Herald Writer

The Shooster family has seen the future, and it's toll-free.

Since they added telemarketing services to the family-owned answering service in the late 1980s, Communication Service Centers' revenues have more than doubled.

Many companies with 800-num-

bers employ independent agencies to answer the phones. That's where CSC comes in. From a 15,000-square-foot office in Margate, CSC employees take orders, handle customer complaints, mail out information packets and ship orders for hundreds of clients.

Although the company maintains its answering service, Ding-A-Ling, the 800-number service accounts for almost half of CSC's business and most of the company's growth, according to Herman Shooster, the company's founder and chief executive.

"We believe our future is there," he said.

"You can't touch anything today without an 800 number," said Wendy Shooster-Leuchter, 33, Shooster's

daughter and CSC's vice president of sales.

Six other members of the Shooster clan are involved in the family business — Shooster's wife, Dorothy, their three sons and two daughters-in-law.

The family tree is proving fruitful. Last March, industry publication Telemarketing magazine ranked CSC 13th in the nation among 800-number service agencies, otherwise known as inbound service agencies. Rankings are based on the volume of inbound calls.

The nation's 1,200 telemarketing service agencies generated \$600 billion in business last year, according to

PLEASE SEE CSC, 3C

800 service boosts family's business

CSC, FROM 1C

Nadji Tehrani, editor-in-chief of Telemarketing. About 65 percent of that came from customers calling businesses.

Shooster, 70, had no idea how big the industry might get when he bought Ding-A-Ling in 1974 after he and his wife moved here from Cherry Hill, N.J. At that time, the company had 10 employees and a small office in Fort Lauderdale.

"I bought it thinking I might do something with it," he said. "Since then, they've bought about a dozen competitors. It's very difficult to stay in this business if you're small," Shooster said.

In the era of downsizing and re-engineering, Shooster aims to profit from other companies' subsequent outsourcing. With more than 250 employees, he has equipped the office computers to handle four times that many. He also plans to double his \$7.5 million in revenues within five years.

"We've set ourselves on a very ambitious course," Shooster said. "We're in a growth mode and we don't see any limiting factors for us."

Now in his 20th year of business, Shooster said he has no regrets, but added that the journey has been full of surprises.

"I went all through college and I never heard the word 'computer.' I never imagined that I'd be so involved in so much technology. I would have opened an ice cream shop or something if I knew."

Florida Trend

THE MAGAZINE OF FLORIDA BUSINESS

NOVEMBER 1993 \$1.50

Fast Track



No Ding-A-Lings Here

The Shooster family takes your messages, answers your 1-800 inquiries and sells your products over the phone. For now, the upside seems unlimited.

BY VALERIE HERSCH

C'mon in. Have a cuppa cawfay." That's Wendy Shooster-Leuchter's greeting to everyone who ventures into the headquarters of Communications Service Centers, a family-owned conglomerate of a telephone answering service, 800-line fulfillment and shop-by-phone operation based in Margate.

The friendly offering is no offhand gesture, Shooster-Leuchter explains. It's a symbol of the company's adherence to the mom-and-pop philosophy of "customer service" and emphasis on people.

"Most businesses like this, they want to get away from people," she says. "We want to get into people. We're like a family."

In fact, the company's executive flowchart doubles as a family tree. Pop and mom in this case being founder and CEO Herman Shooster, 68, and co-owner Dorothy. Daughter Wendy Shooster-Leuchter, 32, is vice president. Sons Stephen, 35, and Michael, 38, are president and chief financial officer, respectively.

Family lore has it that in 1974 Herman Shooster, who was 49 and unemployed at the time, started out with nothing more than a desk, a chair and a client list he bought from a failed telephone answering service. Twenty years later, that \$150,000



The Shooster Family:

Seated, Dorothy and Herman. Standing, left to right, Diane (Stephen's wife), Stephen, Wendy Shooster-Leuchter, Michael and wife, Elizabeth.

investment in Ding-A-Ling Answering Service has become the foundation for a fast-growing \$5 million (revenues) company.

After increasing about 25% in 1992, sales have increased about 23% for the first half of 1993 over the same period a year ago, says CFO Michael Shooster. The 800-line portion of the business increased 40% during that period. At this rate, Shooster's "conservative estimate" puts CSC at double its current size within three years.

CSC has grown by following two elementary principles of business — acquisition and diversification. It has absorbed a half-dozen small answering service companies that couldn't afford the increasing capital costs of the business. When Herman started Ding-A-Ling, the local telephone company was, in effect, his "supplier." Now an answering service company must provide its own switching equipment. Michael Shooster estimates CSC has invested more than \$1 million in equipment to date, with plans for a \$500,000 investment in the next year.

Technology has also driven CSC's diversification. The elder Shooster realized there were more opportunities with CSC than just taking messages. The business has expanded to include live alpha dispatch for pocket pagers, voice mail and fax services. Perhaps the most promising new service is the 800-line business, which offers sales lead generation, order-taking and fulfillment.

"We were getting a couple of calls a day about 800-numbers, and then we would never hear from [the prospective clients] again," says Wendy Shooster-Leuchter. Turns out, all the Ginsu knife wanna-be's would sign up for an 800-line and then be

rejected by the banks when it came to getting a merchant number that would enable them to accept VISA or MasterCard orders. The upshot: CSC decided to get its own merchant number.

Now the company's 800-line customers can use that number to sell their wares to credit card customers by phone. And the added benefit of merchant status has enabled CSC to define itself as a "boutique" operator catering mainly to upstart entrepreneurs in the mail-order business, a niche that, so far, has not attracted too much competition. Herman Shooster says the closest thing to a competitor in Florida is Home Shopping Network. Outside the state, call centers like Matrix and West Telemarketing, both in Omaha, Nebraska, dominate the industry.

This reputation as a niche player extends to CSC's pricing. Most 800-line calling centers require a minimum number of calls. CSC does not, charging 95 cents a minute for all calls that come in on a customer's 800-number. "The larger companies want a \$5 million to \$7 million minimum," says CSC national sales manager Joe Blumenthal. The company's diverse client roster includes Entenmanns Bakery, Federal Express, Garth Brooks and Ryder Truck Rentals.

Since Sun Source, a manufacturer and distributor of health products, began advertising a CSC-answered 800-number two years ago, "sales have gone through the roof," says marketing director Arthur Pryor. It's difficult to track the increase directly to the toll-free line, he admits, because CSC does not take orders. Instead, operators answer questions, send brochures or refer callers to near-

by retailers. "But we do have a tremendous call volume," Pryor says. "Eleven thousand calls a month and growing."

Although the 800-line business has been a part of CSC for fewer than two years, it already generates about 25% of revenues, with the answering service accounting for the rest. Soon enough, Herman Shooster says, that ratio will likely reverse.

Does CSC have the capital to grow? For now, its resources — a \$500,000 line of credit and cash flow — appear sufficient. If anything, says Blumenthal, CSC's upside potential "is limited only by space and the number of lines we can put behind a telephone switch." As it stands, the company's equipment has the capacity to handle 1,000 operators. Currently, there are about 200 on staff, with plans to add 30 more by year-end.

Eventually, planned capital improvements will vastly increase the company's answering service and 800-line capabilities. Stephen Shooster, the family's resident techno-wizard, is working on software that would allow PCs in remote locations to communicate with a network hub.

In other words, Margate-based CSC could hire banks of operators in cities across the country. These operators could tap into the company's software and watch an 800-line client's infomercial in real-time in a corner of their computer screen as they take phone orders from customers watching the infomercial at home.

"I always knew this would be big," says Herman. "And now that the whole family is involved," he says, "I have more of an incentive to make it a whole lot bigger." □

"ORDER TAKING AND CUSTOMER SERVICE SPECIALISTS"

100 OPERATORS • 7 DAYS, 24 HOURS • LOW START UP, LOW MINIMUMS • FULFILLMENT SERVICES
WE PROVIDE VISA AND MASTERCARD • YOUR LITERATURE IN THE MAIL IN 24 HOURS



777 SOUTH STATE ROAD 7 • MARGATE, FLORIDA 33068
(800) 537-8000

BUSINESS

Sun-Sentinel, Sunday, September 12, 1993 Section G

RING LEADER



From left, Stephen Shooster, president, Wendy Shooster Leuchter, vice president, and Michael

Shooster, chief financial officer, oversee operator at Communications Service Center in Margate.

Communications Service Center answers the call

By VICKI McCASH
Business Writer

You never hear a phone ringing at the Communications Service Center.

But ring, they do. 50,000 times a day. 1.5 million times a month. A bank of operators — usually 50 at a time — answers calls as they beep in headsets.

One caller wants to buy shoes. Another is interested in ginseng. There are calls for antidrug T-shirts, a learn-to-play-bridge game, a pair of tie-themselves shoestrings.

Business owners, doctors and veterinarians call in for their messages. Other people call trying to reach someone, and their messages are sent to a pager that accepts a few written words along with a telephone number.

The operators answer telephones for more than 10,000 clients.

"It's a lot of businesses all in one

place," said Wendy Shooster Leuchter, the company's vice president and daughter of the founder.

Two years ago, the business was known as Ding-a-Ling Answering Service. For 14 years, it had answered the phone during off hours for doctors and other professionals.

But in the past 18 months, the company has expanded to answering toll-free calls for clients as diverse as Entemann's Bakery, LoJack auto theft protection system and Eckerd Drug Stores. Generally, operators take information from callers to generate sales leads and send out literature within 24 hours of the call.

Sometimes, operators take direct orders for products. The Shop-By-Phone division of the company has its own merchant authority to accept credit card purchases by phone.

"We're very particular about what products we'll accept," said Stephen

Shooster, the company's president and son of the founder. "They have to be products that we feel we can cover with an absolute money-back guarantee."

The company's charges depend on level of service. A dedicated operator to answer only your calls costs more than a basic answering service. An 800 number account is more than a local one. The company has monthly accounts as low as \$10 and as high as \$10,000 for an 800 call-in campaign.

Competition comes mainly from dozens of call centers in Omaha, Neb., the center of telemarketing in the United States. "I didn't see anything magic about Omaha," said Herman Shooster, the company's chairman and founder. "This seemed a natural expansion for our business."

Telemarketing magazine recently

Telephone service answering the call in South Florida

ranked the Shoosters' call center 21st largest in the country.

LoJack used the Shoosters' company to answer telephones when the antitheft device was introduced in Atlanta with a television ad that urged viewers to call for more information. The call center in Margate took the calls.

The new lines of business — 800 call answering and Shop-By-Phone — have doubled the company's employment in the past year and a half. The call center now has 135 operators in Margate and 75 more in West Palm Beach.

Michael Shooster said he expects to add another 90 employees by year's end.

Revenues were up 23 percent for the first half of 1993 over the same period in 1992. For the 800-call answering business, revenues

were up almost 10 percent. The Shoosters would not reveal the company's sales figures, but Michael Shooster said profits are up accordingly.

"This is the wave of the future," said Barbara Tambaro of the Cushman Fruit Company in Delray Beach. "Everybody has an 800 number, and everybody wants telemarketing."

Cushman uses the Communication Service Center during the busy holiday fruit season. The center handles calls for a promotion the shipper does with major credit card companies. The card companies send out information in their bills offering discounts on fruit baskets.

"The first year we decided to do this, I thought, 'Well, do I hire 75 new people and buy the equipment to handle these calls?'" Tambaro said.

She worried that callers responding to the promotion might tie up telephone lines and frustrate her regular customers.

The Shoosters invited Tambaro

to train their operators. "You know, selling fruit isn't that easy," Tambaro said. "We were looking for someone who could do a little customer service while they had people on the phone, so we could make them regular customers. That's the thing I found was valuable with this company. They're willing to do that for you."

The Shooster family prides itself on offering personalized service to every client — and on keeping employees in a high-turnover business.

More than a third of the company's work force has been with the company for three years. The Shoosters would not say how much they pay their operators, but said it is more than minimum wage. The company also offers benefits including health insurance.

The company has equipment that can handle up to 10,000 incoming calls at once — enough to employ 1,000 operators.

"We're going to be expanding," Herman Shooster said. "This business is really just taking off."

COMPANY INFORMATION

Name ONE CALL SYSTEMS, INC.

Address 3 Allegheny Center
Pittsburgh, PA 15212

Telephone 800-845-9945 (Voice)
412-323-7171 (Voice)
412-323-7175 (Fax)

Officers Michael McNamara, Pres.

BUSINESS CHARACTERISTICS

Revenue 1994
\$5M

Growth Unknown

Description of Businesses

- Provides specialized customer service for utility companies and contractors. Develops special programs to suit customer's needs, i.e., "Call before you dig" program. Also provides order processing for publishers.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	<ul style="list-style-type: none">99% of revenue Contracts are typically 3 years or longer	<ul style="list-style-type: none">Focus is on long-term relationships	<ul style="list-style-type: none">Do not handle one-shot projects.	<ul style="list-style-type: none">Majority of their work is for utilities and contractors - the "call before you dig" program.1% of revenue from after hours call overflow.

VERTICAL MARKET SPECIALIZATION

- | Markets | Offerings |
|--|---|
| <ul style="list-style-type: none"> • Utility companies and construction markets are the main focus • Publishing and other industries | <ul style="list-style-type: none"> • Inbound "Call before you dig" program, overflow services assistance and after hours coverage. • Order processing and lead generation |

BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Customer Service	Medium	None
Lead Generation	Medium	None
Direct Response (Inbound)	High for order processing and fulfillment	Planning significant growth, hoping for a 50/50 mix in the near future.
Outbound	Low	None
Other	High for overflow assistance and after hours coverage High for utility and construction dig placement system	None Expecting to grow other business areas, with this area becoming less critical to success.

2/11

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none">• AT&T Diffinity system and Stratus computer the heart of their services	<ul style="list-style-type: none">• Expecting to upgrade Diffinity system to a Diffinity 3	<ul style="list-style-type: none">• The inbound telemarketing and service software is proprietary.

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none">• Consulting is done to design and implement the inbound call system.
Integrated Marketing Campaigns	<ul style="list-style-type: none">• One Call is only involved in the servicing of inbound calls.
Other Areas	<ul style="list-style-type: none">• Equipped to handle substantial amount of inbound calls, with personal attention to each call.

BUSINESS PROCESS MANAGEMENT

Current • Quite good in its very specialized niche

Potential • Seems very low, due to its focus
• Would require one-on-one discussion

FIT WITH D&B

• Appears too specialized to be a fit.

OWNERSHIP

Jointly owned by Pennsylvania Utilities

OVERALL ASSESSMENT

• Good firm with desirable capabilities.
• Narrow niche is a business strength, but uncertain how well or quickly they could expand.

WHY USE THE OCS TELECENTER?



WE DON'T SLEEP

We don't call off sick. We don't take vacations. The OCS TeleCenter provides service 24 hours per day, 7 days per week. When your 800 number rings, we'll always be there to answer it.



YOU'LL NEVER BE CLOSED

In today's fast-paced market, customers demand that your 800 number be answered all the time. Even companies who sell to other companies need to be able to take orders during non-business hours. If you aren't answering the phone, your competitor will. Staffing your telemarketing center can be very expensive. So... you can redirect your calls during your off-hours to the OCS TeleCenter. We will answer the phone for you.



INCREASE YOUR STAFF

Everyone has peak times. It may be during a holiday season or just as a result of a special promotion. Hiring additional telemarketers during these times is very costly. The OCS TeleCenter has experience working with long distance carriers to have overflow calls directed to us. This instantly provides you with the additional staff you need. Overflow services can be provided during specific periods of time or you can have us handle your overflow all the time.



YOU ONLY PAY FOR WHAT YOU USE

When you consider the cost of setting up your own telemarketing center, you will find that it's cheaper to use the OCS TeleCenter. With OCS, you only pay for what you use. Plus, we've negotiated excellent volume discounts on our long distance service. These savings are passed on to you.



NO MORE HEADACHES

You won't have anymore headaches with staff scheduling and call center operations. Let OCS handle your telemarketing needs while you concentrate on running your business.



WE'LL MAKE IT EASY FOR YOU TO GET STARTED

Call **1-800-845-9945** for your free, no obligation consultation.

OCS
TELECENTER
We Answer Your Needs

ONE CALL SYSTEMS, INC.
Three Allegheny Center
Pittsburgh, PA 15212
Phone: (800) 845-9945
 (412) 323-7171
Fax: (412) 323-7175
Contact: Norm Forest



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INBOUND/OUTBOUND TELEMARKETING SERVICES AGENCY



INBOUND SERVICES

Order Processing
Information Processing
Seminar Registrations
Appointment Scheduling
Off-Hours Coverage
Overflow Services &
Disaster Recovery
800 Numbers



OUTBOUND SERVICES

Market Research Surveys
Seminar Registration Confirmations
Customer Service Follow-Up



GENERAL INFORMATION

Call Center Operations 24 Hours/Day
Live Operators
Continuous Processing Computer System



The OCS TeleCenter is a full service telemarketing services firm. With over two decades of telemarketing experience, OCS is committed to providing the highest levels of quality and service. The OCS TeleCenter provides business to business, consumer to business and business to consumer services.

Flexibility is a keyword when working with OCS. We work hard to make it easy for you to do business with us. Your Account Manager's responsibility is to be completely familiar with all phases of your campaign and to coordinate all of the OCS TeleCenter resources necessary to ensure success.





One Call Systems, Inc.
Three Allegheny Center
Pittsburgh, PA 15212

Phone: (412) 323-7171
Fax: (412) 323-7175

ONE CALL SYSTEMS, INC.

December 13, 1994

Ms. Joanne Ponnwitz
Input
400 Frank W. Burr Blvd.
Teaneck, NJ 07666

Dear Joanne:

Here is the One Call Systems, Inc. information packet. I hope this meets your boss' needs.

There is one note which I would like to make. The information packet discusses both inbound and outbound telemarketing. OCS is primarily an inbound agency. Less than 1% of our work is with outbound telemarketing.

OCS has been on Telemarketing Magazine's Top 50 Inbound Telemarketing Services Agency list for 1993 and 1994. We are also an active member of the American Telemarketing Association where I am the Pittsburgh Metro Director.

If your boss has any questions, I would be happy to answer them for him.

Sincerely,

Norman A. Forest
Vice President
Marketing



A COMMITMENT TO EXCELLENCE

Quality And Professionalism

One Call Systems TeleCenter is committed to the absolute highest levels of quality and service. In our telemarketing applications... In the guaranteed high performance of our TSRs and support personnel... And in the continuing technological advancement of our systems and equipment. It is a commitment we do not take lightly, because it begins at the top of our company. OCS President, Mr. Michael McNamara:

"Quality and superior service provide the foundation for growth and success. We firmly subscribe to the canon that the customer comes first. To this end, I personally guarantee that your program, campaign or project will be conducted efficiently, professionally and successfully from start to finish. You have my word (and that of all OCS TSRs and support associates) on it."

How Does OCS Deliver Quality?

Flexibility... From multi-national corporations, to local and regional companies, we have the experience to recommend, develop and implement the right telemarketing program for your business, regardless of your company's or organization's size.

Proven Reliability... By using tested and proven strategies and techniques for creating increased telephone sales and effective marketing, OCS TeleCenter helps you convert calls to sales, improve customer satisfaction and outdo the competition.

Start By Listening... We listen to your problems and goals and then recommend the right solutions. Each program or campaign is customized to a particular set of circumstances or objectives.

For more information, call today.

1-800-845-9945



TALENT AND TECHNOLOGY

The Right People... The Right Training... The Right Results!

Each prospective Telemarketing Service Representative (TSR) is carefully interviewed, tested and auditioned prior to becoming part of our team. Voice clarity and inflection, telephone manners, and overall aptitude play vital roles in proper selection.

Before receiving a first call, TSRs undergo thorough general training on customer respect and technical requirements. Further, they are continuously monitored by our own in-house supervisory specialists during a "break-in" training period.

Once preliminary training is complete, TSRs are assigned to individual campaigns or projects. They are again fully trained and briefed - including direct client contact - to ensure product/service knowledge and communication skills are honed to the finest edge.

Continuous training/monitoring and motivation throughout a campaign, through positive feedback and professional direction, build associate confidence and improve performance.

OCS TeleCenter's emphasis on selection, training and motivation translates to limited personnel turnover, which means capable, experienced, self-assured people are always available for your project.

Breaking New Technology Ground

OCS TeleCenter's computer network is a product of over a decade of daily large volume telemarketing experience, as viewed through the talented, progressive vision of our own Development Department.

These respected specialists have one overriding objective: create systems that cost-effectively deliver the finest results in the industry.

State-of-the-art communications technology interfaces with our fault-tolerant computer system to produce powerful fingertip access to scripts, menus, databases, and a variety of other tools to give TSRs instant control and reporting capabilities.

By keeping these systems user-friendly, TSRs are free to deal effectively with your customers without worry of errors or complexity.

Responses from your customers are captured on screen notepads. These fields and reporting requirements are customized for each campaign and each customer's individual needs.

Automated reporting delivers comprehensive recaps of all contacts to you by FAX each day before 9 a.m. (E.S.T.). Your Account Manager can provide "real-time" reports during any predetermined period.

For more information, call today.

1-800-845-9945



INBOUND TELEMARKETING SERVICES

Staying One Step Ahead

To stay a step ahead of the competition, today's successful businesses need tools that are a cut above the rest. For over a decade, One Call Systems, Inc. has pioneered high capacity, state-of-the-art inbound 24-hour telemarketing technologies for utilities and marketers.

One Call Systems TeleCenter can be your vital link to customers when they call to place an order or ask a question. Our inbound service can be as simple as offering live-operator 800/900 number response, or as complex and comprehensive as complete order fulfillment and customer support.

As your customers initiate calls, over 75 trained OCS telemarketing specialists (TSRs) gather necessary customer data, answer inquiries, and provide you with detailed call reporting. Our staff of experienced and highly motivated personnel teams with your company's in-house sales and customer service groups as your "sales partner."

Client Participation and Involvement

OCS TeleCenter can help you turn every customer contact into a new sales or service opportunity. We welcome client participation in the campaign process from preliminary planning through complete roll-out.

You are encouraged to supply brochures, sales kits, technical reports, etc. which will improve our knowledge of your product and/or service.

One of the most effective ways of reviewing our performance is through silent monitoring of actual incoming calls. We welcome our clients - with or without notice - at any time.

Making It Easy To Do Business

We work hard to make it easy for you to do business with OCS. Your Account Manager's day-to-day responsibility is to be completely familiar with all phases of your campaign, and to coordinate all of the OCS TeleCenter resources necessary to ensure success.

For more information, call today.

1-800-845-9945

VI. FINANCIAL OPERATIONS SUPPORT: OVERVIEW

A. Financial Operations Process Map

INPUT prepared the "process map" on the following page shows the major service functions that make up financial operations.

Discussions between INPUT and D&B indicated that D&B Services sees immediate opportunities in only part of this market space, the area to the top of the line on the version of the process map on the second page following.

Within that area, purchasing support appeared to have the highest need and present significant opportunity for adding value.

B. Purchasing Overview

On the pages following are diagrams furnished with the permission of Texas Instruments which

- Lay out the major components of the purchasing process.
- Describe how TI's new product "Express Buy" would greatly improve the purchasing process. INPUT has consulted to TI in this area and believes that its claims are valid.

INPUT cannot at this time provide realistic market estimates for the purchasing support market:

- The current served market in the purchasing support market is small.
- Where it is being served, it is part of a larger functional outsourcing business (e.g., accounting functions) and cannot be easily separated.
- INPUT has no primary research data on the level of need for this type of service.
- Data on the amount spend on purchasing administration may be available, but would be only marginally useful, in INPUT's opinion.

INPUT is also convinced that the functions embodied in Express Buy would almost certainly have to underlie whatever service D&B Service will offer.

Other service firms appear to feel the same way. According to INPUT's information, several large service vendors are in negotiation with TI to use TI software's capability to support purchasing service support to clients.

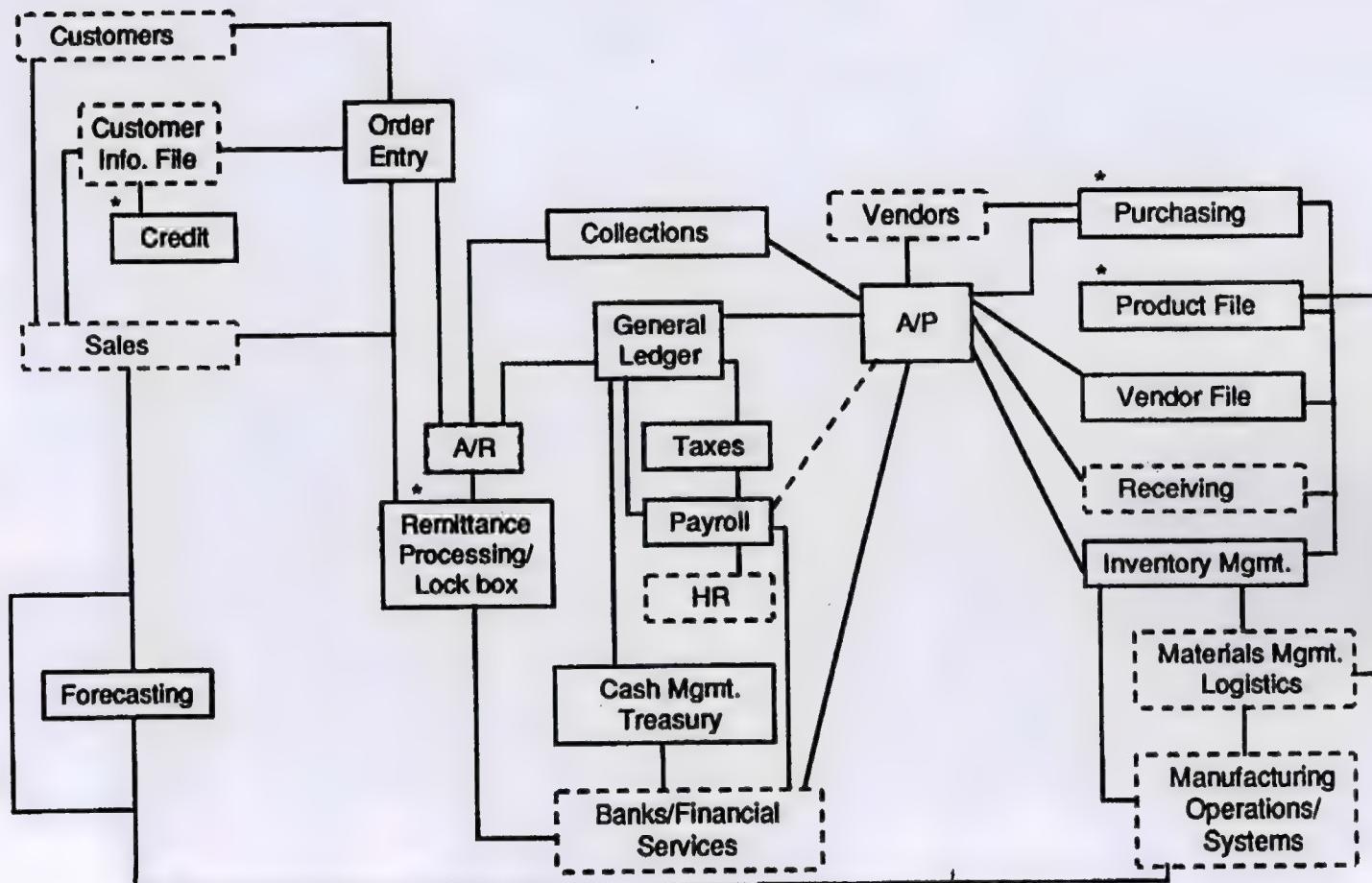
- These developments validate the D&B concept.
- They also indicate that there will be competition in the short term.

C. Acquisition Candidate Criteria

INPUT and D&B reached the decision that candidates would most likely come from a fairly small pool of companies that are themselves small:

- Consulting firms specializing in value-added purchasing activities.

Financial Operations



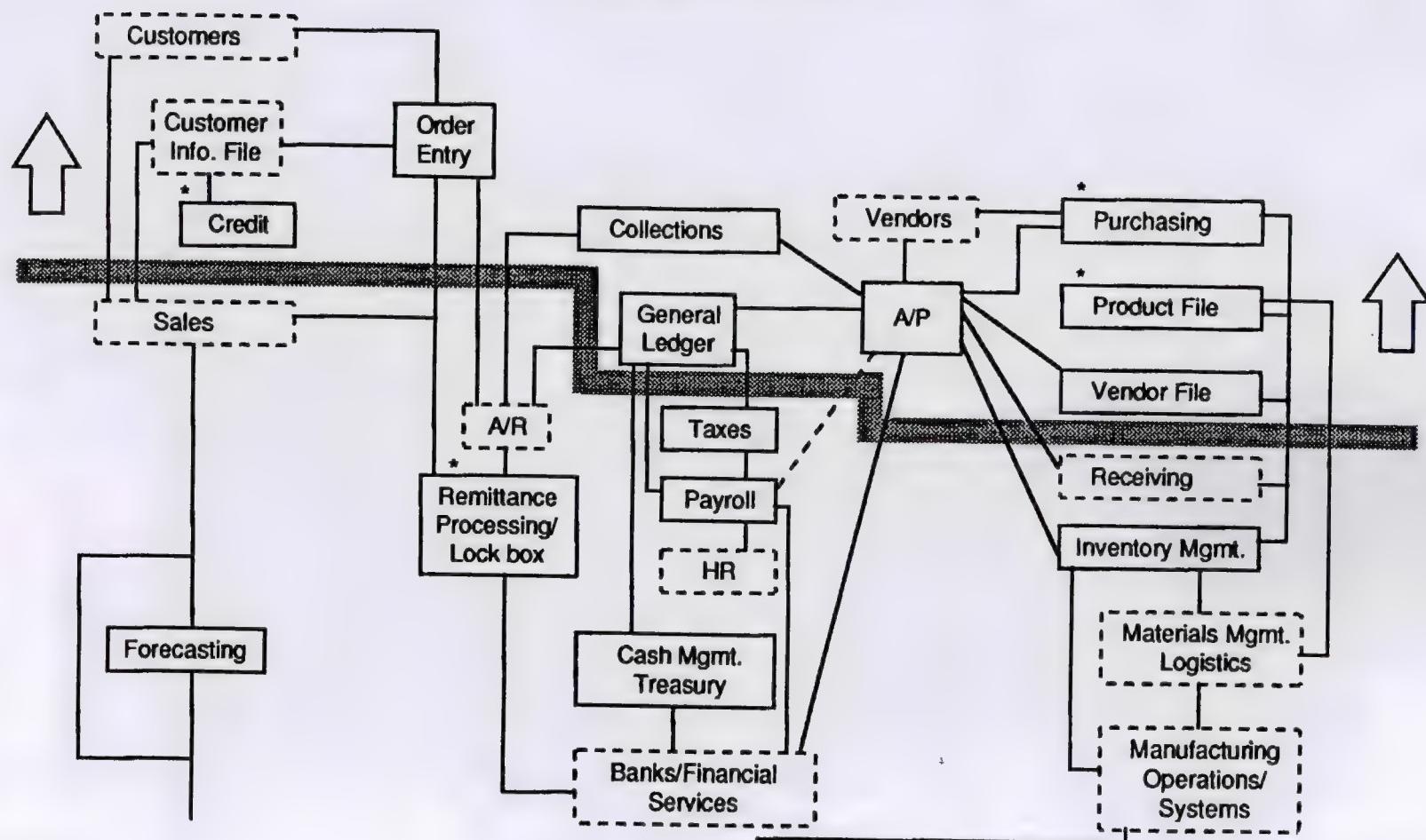
- Fin'l Ops
- Other Functions
- * Electronic Commerce Function

YNDB1

INPUT

Financial Operations: D & B Target Areas

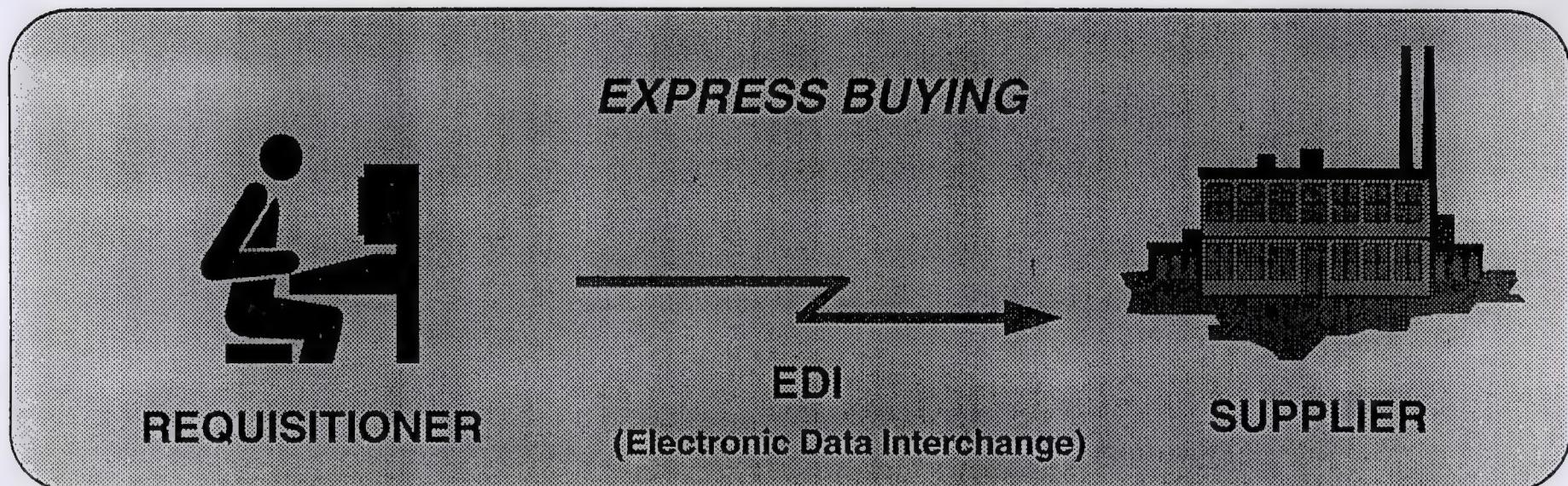
(target areas above line)





INFORMATION TECHNOLOGY GROUP

Express Buy Catalog





Examples of “Best Business Practices”

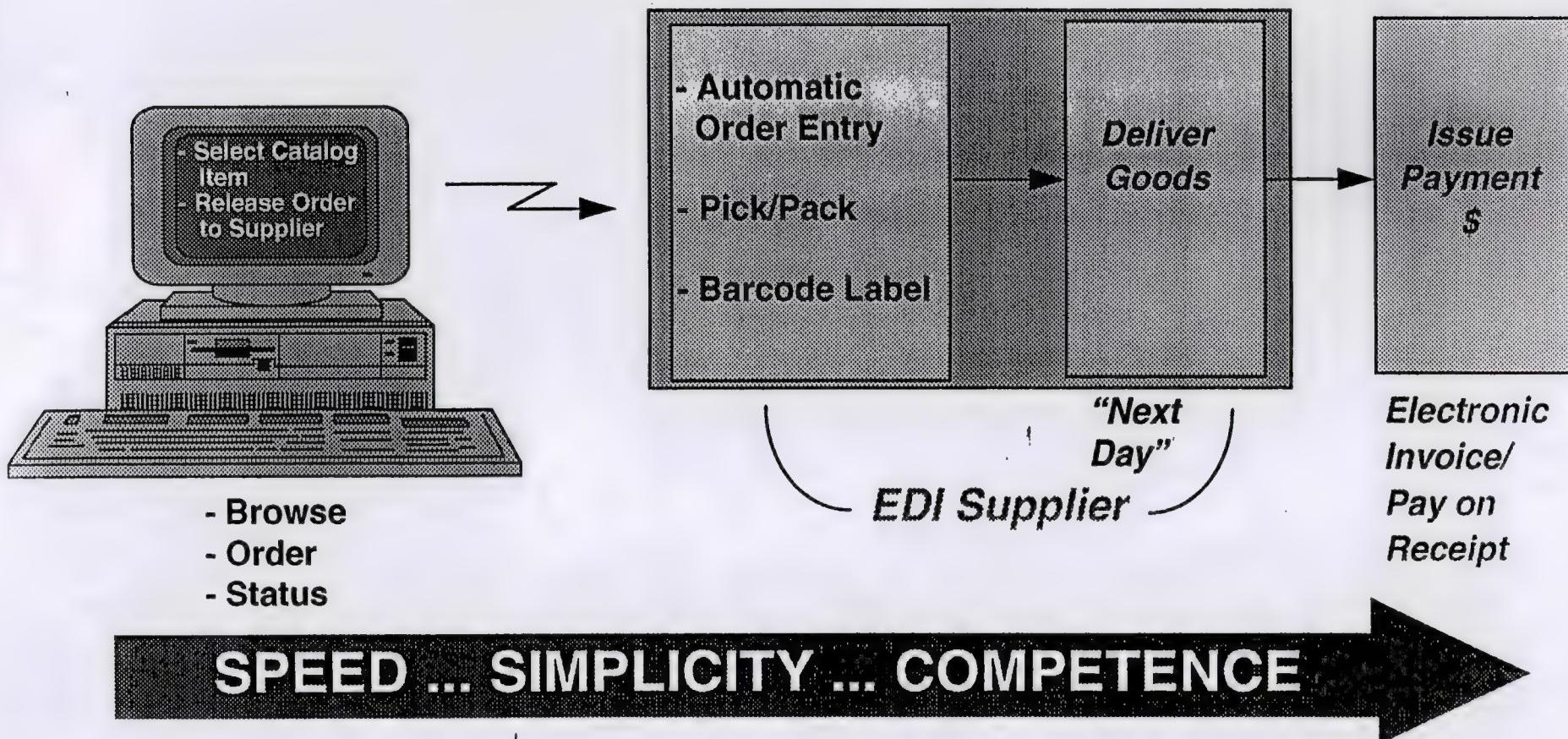
Typical Practices	Best Practice	Impact *
<p>Manual supplier catalogs for commodity purchases</p> <ul style="list-style-type: none">- Uses same, lengthy process as higher-value items- Paper-based- Too many suppliers- 15 to 20 day requisitioning to PO cycle time	<p>Two-step, electronic catalog ordering/payment</p> <ul style="list-style-type: none">- Pre-approved, selected items from EDI-enabled suppliers- Requisitioner selects and orders directly from supplier- 24-hour turn around on delivery- Invoiceless payment	<p>One-day cycle time and \$3 in cost per purchase order line item</p>
<p>Long lead times for purchase requests</p> <ul style="list-style-type: none">- Paper requisitions- No integration between requisitioning and procurement system	<p>Paperless requisitioning and procurement</p> <ul style="list-style-type: none">- Pre-negotiated electronic agreements with suppliers- EDI-enabled suppliers- Buyers only work exceptions- Electronic Approvals	<p>Seventy-five percent reduction in requisition to purchase order cycle time</p> <ul style="list-style-type: none">- Total cost of ownership in sourcing- Electronic audit trail- Strategic supplier management- Reduced material cost



EXPRESS BUYING PROCESS

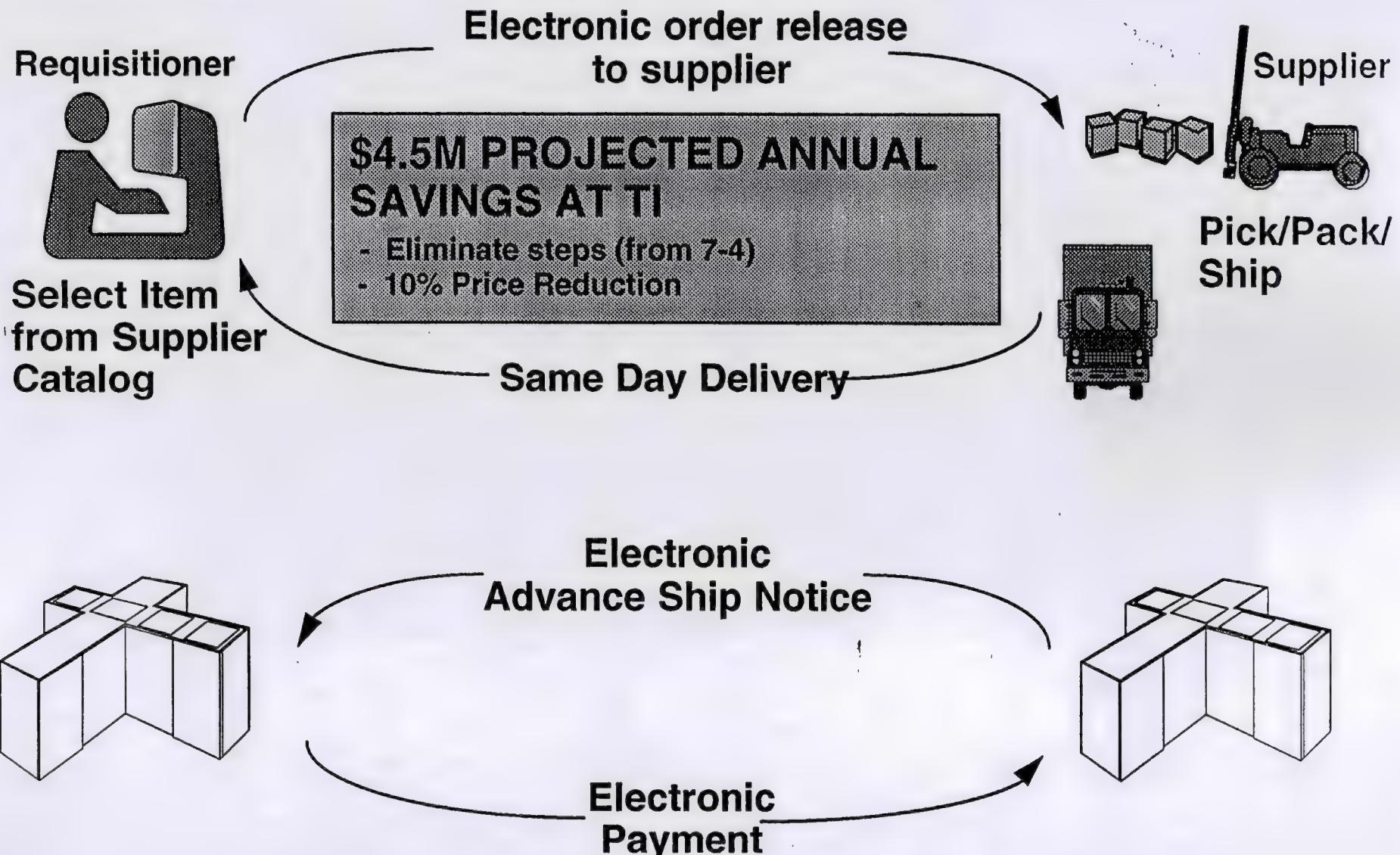
WHAT IS IT ...

A re-engineered process which empowers a requisitioner to quickly and easily place orders directly to a *EDI supplier*





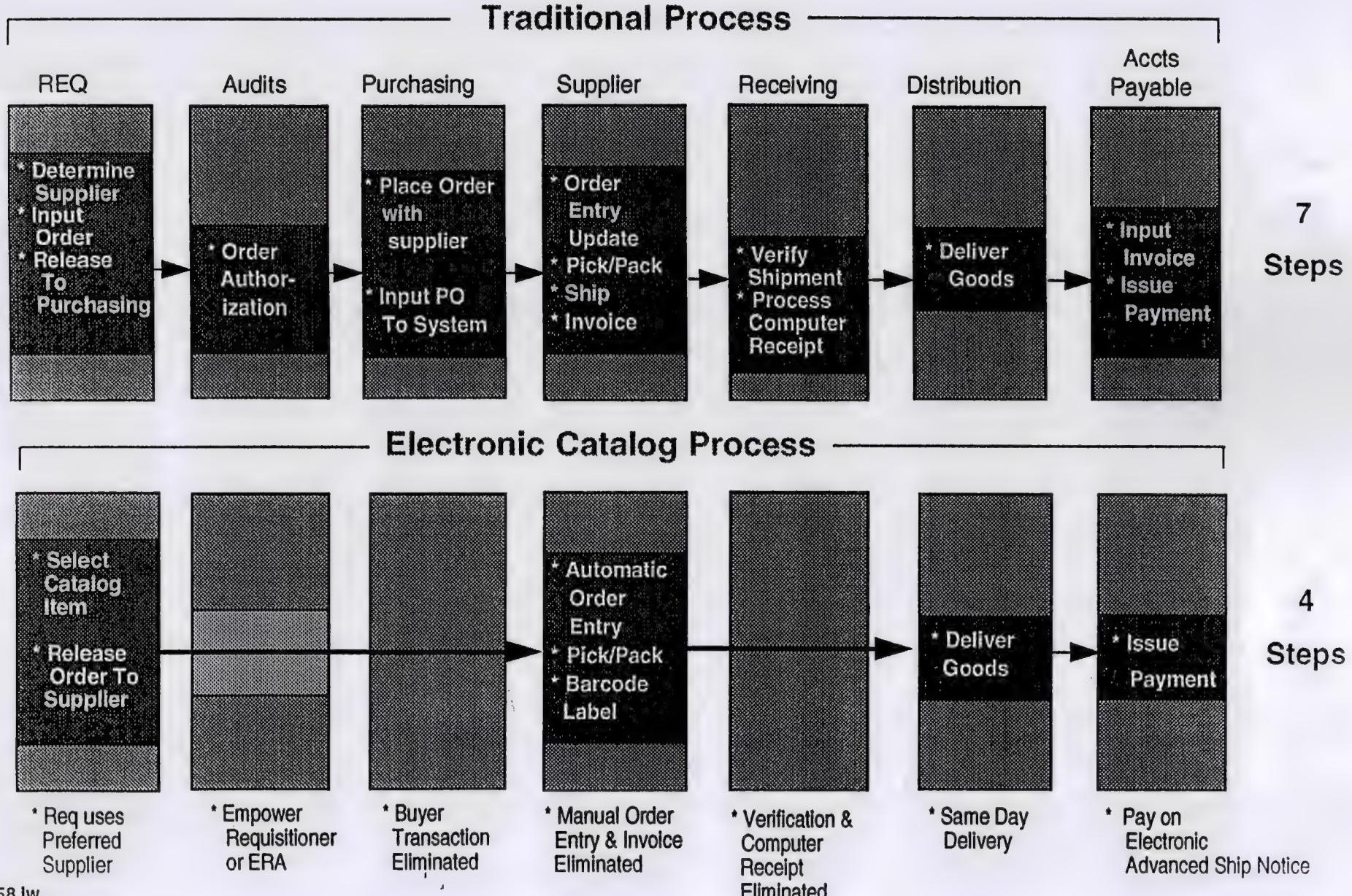
Electronic Express Buying Process



Note: All electronic processes via TI's Electronic Data Interchange



Express Buy Business Process Improvements





Express Buy Catalog

Business Impact

- Reduce Commodities Cost
 - 1 - 10%
- Reduced Purchasing Cost
 - Per line item cost from \$25 - 200 to as low as \$3
- Reduced Cycle Time
 - From 15 - 20 Days to 1 Day
- Increased User Satisfaction
 - Order when you need it
 - Intuitive, graphical interface
- Improved Supplier Performance
 - Pre-negotiated price, delivery, and quality
- Reduced Inventory
 - Next day delivery reduces stock requirements



Materials Management Competitors

STRENGTHS

SAP AMERICA

- Sales tripled to \$45M in '92
- Client/Server introduced 1/93
- Alliances for installation/support

AMERICAN SOFTWARE

- Leader in utilities market
- Breadth of sales org
- Strategic alliances with IBM, HP
- Planning functionality

D&B

- Established customer base
- Strong financial applications
- Good C/S strategy

WEAKNESSES

- Legacy integration
- Implementation time
- Product support
- Lack of monitoring
- Late C/S strategy
- Customization time
- Product quality
- Image

- Product integration
- MFG, INV Mgmt shallow
- Applications based on 70's business processes

TI ADVANTAGE

- Modular, selectable solution
- Easy integration strategy
- Customer service reputation
- BPE approach

- CASE, C/S strategy
- Product/Service quality
- Reduced customization cycle time
- Channel alliances
- BPE approach

- Business solutions
- Integrated suite of applications
- BPE approach
- Applications based on "Best in Class" business practices



- Software products firms specializing in purchasing that are also involved in value-added purchasing activities and/or have the capability of doing so.

The reasoning employed by INPUT to come to this conclusion is summarized in the four pages that follow.



PURCHASING SUPPORT SERVICES: INPUT RESEARCH

- In the last 18 months INPUT has worked with virtually all of the "household names" in purchasing/logistics.
 - All of these relationships had a high services market component (both "traditional" system building/operations as well as more innovative services).
 - Most of these involved primary research among customers and competitors.
 - INPUT has also been deeply involved in the planning of new software and services offerings.
- For this project, INPUT reviewed this work and discretely discussed purchasing support services with senior client staff.
- One of the areas of focus was the companies offering services, especially ones that could be acquirable by D&B.
- INPUT also reviewed the work of INPUT's EDI/Electronic Group and discussed these issues internally as well as with Pat Kearny.
- INPUT reviewed the business scope and offerings of approximately 75 specialist consulting firms offering purchasing-related services.

PURCHASING SUPPORT SERVICES OPPORTUNITY

- Most competitors focus on "purchasing/logistics", rather than the purer purchasing support function identified as the D&B opportunity.
 - Good news: Provides market space
 - Bad news: Acquisition vehicles will be too broadly focussed or small.
- Much of activity in last ten years has focussed on logistics systems
 - Software/systems issues predominate
 - Purchasing is an add-on, virtually an afterthought in many cases.
 - Outsourcing is generally limited to running the completed/upgraded system (the logistics function is too integral to most customers' core business to be outsourced -- except the logical extreme, contract manufacturing.)
- Heightened emphasis on purchasing as a separate opportunity area. Most service vendors still have the "logistics heritage", however.
- From D&B's standpoint, these circumstances limit the scope of the search. (Since D&B is not -- and should not -- pursue logistics.)

PURCHASING SUPPORT SERVICES: COMPETITIVE ENVIRONMENT

- The SI/outsourcing arms of the Big 6, EDS, IBM etc. are pursuing logistics-related outsourcing vigorously.
 - Purchasing is one component.
 - Even if pieces of their business were for sale (they are not), purchasing-related services are so intertwined with other operations that divestiture would be functionally impossible.
 - This situation is largely true across firms that offer services in this sector.
- Assisting/outsourcing the business functions of purchasing is now getting the attention of the accounting sides of the Big 6.
 - They are obviously familiar and credible in this area.
 - They are diversifying out of the highly competitive and less rewarded core audit area.
 - In firms like Andersen, this sets up interesting cooperation questions between the accounting and systems groups (which are more-or-less independent).
- EDI/electronic commerce is an increasingly important component of purchasing in general and for services supplied to purchasing units:
 - BPR and related consulting
 - Systems design/implementation
 - Ongoing operations.
- EDI has become so pervasive that it has become a virtual component of doing business in this area.
 - The EDI software firms do not offer services.
 - Firms like GEIS and Sterling Ordernet have largely limited themselves to the role of neutral third parties. Also, they have little or no base on which to build a support services business as D&B plans.
- A successful purchasing support service would almost certainly have standard software (with an important EDI component) that customers would ultimately be converted to.

PURCHASING SUPPORT SERVICES: ENTRY ALTERNATIVES

- Partner with and/or acquire the purchasing unit of a major corporation.
 - Unit should be successful and capable of operating independently and taking over other businesses' units.
 - INPUT has performed research in several industries on business spin-offs like this: The failure rate is high, even in well-run internal operations.
- Acquire a specialized, probably small/very small consulting firm.
 - Firms may have good qualifications in the re-design functions.
 - Individuals within the firm may have had operations experience, but the firm is unlikely to have this be a key capability.

APPENDICES

- 1. HR SUPPORT**
- 2. INITIAL SCREENING OF MARKETING DATABASE COMPANIES**
- 3. PROFILES OF OTHER MARKETING DATABASE COMPANIES**
- 4. INITIAL SCREENING OF CUSTOMER SERVICE/LEAD GENERATION COMPANIES**
- 5. PROFILES OF OTHER CUSTOMER SERVICE/LEAD GENERATION COMPANIES**
- 6. TEXAS INSTRUMENTS' EXPRESS BUY PRODUCT**
- 7. INITIAL SCREENING OF PURCHASING CONSULTANTS**
- 8. INITIAL SCREENING OF PURCHASING SOFTWARE COMPANIES**

VII. PURCHASING MANAGEMENT COMPANIES

A. Evaluation Criteria

Ideally, candidates would have experience in the purchasing aspects of:

- Business Process Re-engineering (BPR)
- Software technology
- Business Process Management (BPM), preferably operating the purchasing function, but systems operation would be an initial qualification.
 - In some cases, firms felt they were too small to go after this type of business, but felt qualified. This type of situation would receive "partial credit".
 - If principals of the firm appeared to have the experience, even though it was not used, the firm would also receive partial credit.

A special consideration in this area was that there be a "real" firm and not a solo consultant. (This rule was relaxed in one interesting case, where the individual might be potentially useful.)

Both consulting firms and software firms were assessed. In the event, though, only one software firm passed the screen -- all the others were far to blinkered and product oriented to appear useful.

B. Candidate Summary and Assessments

The six firms on the following summary page all appear to be useful as potential candidates. (It is assumed that the firms and their principals could be successfully re-oriented to the D&B Services' concept.)

Only Strategic Resource has broken through the \$2 million level. It is not clear, however, whether this is a pronounced advantage; much will depend, in INPUT's opinion on the skill sets and the attitudes toward the D&B concept by the senior people on staff.

Further investigation is definitely required. INPUT believes that this investigation can only be fruitful if the D&B concept is discussed frankly with the candidates, preferably by D&B Services itself.

Information on another company, Procurement Arts, is contained in the company detail section following, but not in the summary. Procurement Arts is a "one man band"; however, the principal has extensive background and appears to have visibility in the purchasing area. He might be a useful person to use in some capacity in the enterprise.

C. Candidate Detail

On the following pages is detail on each company.

- Further analysis, based on data collected plus interviews with executives of each firm specially for this study.
- Descriptive material supplied by each firm.

CANDIDATE SUMMARY AND ASSESSMENTS: Purchasing Support

<u>Firm</u>	<u>Size</u>	<u>BPR</u>	<u>Technology</u>	<u>BPM</u>
Advanced Procurement	\$1-2MM	XX	XX	XX
Eisen	\$1MM	XX	X	X
Financial Purchasing Management	<\$1MM	X	XX	X
Greentree Software	\$1-2MM	XX	XX	*
Purchasing and Inventory Consultants	\$1-2MM	XX		XX
Strategic Resource	\$12MM	XX	X	XX

Key XX = Current Capability
 X = Potential Capability or Background
 * = Limited by Size Currently



COMPANY INFORMATION

Name ADVANCED PROCUREMENT SYSTEMS INC.

Address 9130 Jollyville Road
Austin, TX 78759-7472

Telephone 512-338-0091 (Voice)

Officers Homer Foerster, Pres

BUSINESS CHARACTERISTICS

Revenue	1994
	\$2M
Employees	16

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	High	None
Design/Redesign purchasing systems	High	None
Select purchasing software	High	None
Supply own purchasing software	High	None
Install new systems and procedures	High	None
Operate purchasing systems	High	None
Operate parts or all of the purchasing function	High	None
Other	High for data entry and data processing	None

FUTURE BUSINESS INITIATIVES

- EDI offering in 1995

BUSINESS PROCESS MANAGEMENT

- | | |
|---|--|
| Current (including staff experience) | • Provide full range of services for the operation of the purchasing function. |
| Potential | • Software and systems designed by procurement experts. |
| Potential | • Continues to be a focus of the company |
| Fit with D&B | • Good: Both BPR and BPM |



9130 JOLLYVILLE ROAD, SUITE 355
AUSTIN, TEXAS 78759-7475
(512) 338-0091 FAX (512) 343-0131

Product Family Overview/Price List

The Advanced Procurement Systems (APS) family of software products is easy to learn because each product contains a complete, self-paced computer assisted training course that covers every aspect of its operation. The software was developed in conjunction with the National Institute of Governmental Purchasing, Inc. (NIGP). The systems are menu driven and contain a full range of prompts for the operator. Documentation includes extensive, easy-to-use reference manuals.

Support begins the day you receive the system. Telephone support is free for 90 days, and continues under an annual paid support and update subscription service.

APS is microcomputer based, providing four important operational advantages. There is little need for computer expertise within the Purchasing Department. Purchasing management is in control of its own computing resources. Microcomputers are powerful work processing tools, and they can easily be connected to most mini and mainframe computers, allowing transfer of information to financial systems.

The Advanced Procurement Systems design concept is modular. Because of this building block concept, your level of automation and investment may be customized to your specific functional requirements and budget. There are currently five modules which make up APS Solutions.

Basic Purchasing - Module I

Basic Purchasing contains the vendor, bidder, commodity code, requisition, and purchase order files. It includes the 5-digit Class-Item series of the NIGP Commodity/Service Code and an alphabetical index of goods and services. Its functions include:

- * maintaining a bidder's file by class-item codes, producing a bidder's list, and printing address labels for bid solicitations.
- * allowing you to establish up to ten vendor categories (for example, small business, minority business) for use in bidder selections and reports.
- providing a tracking system to quickly determine the status of requisitions and purchase orders.
- producing essential management reports and summaries of purchase workload, vendor recap (showing awards and dollar amounts) by class-item; workload by processing events (for example, requisitions received, solicitations processed, bid

openings, orders/contracts issued), and various combinations of the above.

- specifying date ranges for recurring reports for comparison and analysis.

* These features available in Bidder Selection - Module IA.

Open Market Purchasing - Module II

This module greatly enhances your procurement operations. It contains the facilities to fully automate the preparation of bid solicitations and purchase orders for definite quantity (open market) purchases. Its functions include:

- easy-to-use text processing for preparing bid solicitations and purchase orders, with the capability to retrieve purchase descriptions ("cut and paste") from prior purchase documents, to select appropriate standard clauses, terms and conditions for inclusion in solicitations, and to print solicitations and purchase orders in your format.
- automatically recording purchase order history.
- preparing vendor performance reports showing complaints by type and severity.
- preparing letters and other documents, combining word processing capabilities with the ability to retrieve data from the purchasing files (mail merge).
- allowing accounting information to be extracted and made available to financial systems.
- receiving "electronic requisitions" from other computer systems.
- allowing the flexibility to custom design the bid solicitation and contract/purchase order forms.
- preparing bid tabulation and analysis reports, by unit price and by extended amount, from bid information entered from bidders' responses to bid solicitations, automatically flagging low item, low total, tie, etc.
- automatically using bid evaluation information when awarding purchase orders.

Basic Purchasing is a prerequisite to Open Market Purchasing.

Contract Purchasing - Module III

This module is used to establish and administer requirements (term) contracts for repetitively ordered items, blanket orders and scheduled procurement transactions. It allows the use of the NIGP 11-digit Detailed-Item Description Code, a library of over 80,000 detailed item descriptions, eliminating the enormous task of developing your own descriptions. Its functions include:

- combining common-use items into a term contract based upon estimated quantities.
- accumulating usage data for each contract item.
- maintaining a calendar of processing events.
- preparing and printing bid solicitations, notices of award, and release orders against term contracts.
- producing contract catalogs of awarded items for distribution to user departments.
- supporting schedule and blanket order types of

purchase. The schedule purchase, often referred to as "Consolidated Purchase Action," provides for combining departmental/user requirements for like-items into one definite quantity bid solicitation to attract the best possible prices. Blanket orders can be established to allow user departments to order commodities and services directly from vendors under such orders. APS provides for dollar limits both at the blanket order and department order levels.

- preparing bid tabulation and analysis reports, by unit price and by extended amount, from bid information entered from bidders' responses to bid solicitations, automatically flagging low item, low total, tie, etc.
- automatically using bid evaluation information when awarding contracts.

Basic Purchasing is a prerequisite to Contract Purchasing

Stock Inventory - Module IV

The Stock Inventory module simplifies the tasks of inventory management by automating receipts, issues, transfers, allotments, write-ups, write-downs, and adjustments with automatic interfaces to purchasing and accounting. Its functions include:

- operating either stand-alone or integrated with other APS Purchasing modules for a fully automated purchase-reorder cycle. Stand alone, it includes all of the capabilities of the Bidder Selection module.
- letting you choose the level of detail you want to maintain, from basic to advanced.
- maintaining stock for up to 250 facilities.
- supporting FIFO, LIFO, Average, and Standard costing methods.
- reporting by ABC, Stock Number Ranges, Class-Item, Location, Bin and Date categories.
- analyzing inventory by item.
- producing item detail lists, stock status reports, transactions by type, movement analysis, and turnover information for strategic management decisions.
- extracting information for transfer to the accounting system.
- using a security system that supports the needs of the various levels of operation.

Department Access

Department Access provides ordering departments with the ability to access an installed APS system. Its purpose is to increase productivity by reducing manual effort and eliminating repetitive re-keying of information. Its functions allow departments to:

- directly enter requisitions
- make on-line status inquiries
- access the master vendor file
- directly enter material supply requisitions for stock inventory
- enter receiving reports

Price List

Effective January 1, 1993

Software

Software	Single User	Number of Users on Network			
		2-3	4-6	7-12	13+
Basic Purchasing	\$				
Open Market Purchasing					
Contract Purchasing					
Stock Inventory					
Department Access					
Bidder Selection					

Prices include 90 days of free off-site support, a computer-aided self-training course, and reference manuals.

When upgrading to the next number of users, credit is given for your cost of the prior products. The prices for network versions do not include the cost of computer networking hardware and software.

Additional Services

An Assessment of Automation Needs is available for \$750 per professional, per day, plus travel and expenses.

On-site Software Installation and Training is \$750 per professional, per day, plus travel and expenses.

Off-site Software Support and Update Service is available for an annual subscription charge of 12% of the current published software price.

Consulting and Commodity Code Conversion services are available on an individually negotiated agreement.

Computer System Requirements

APS software operates on IBM* compatible personal computers using DOS version 3.1 or later. The minimum configuration for a single-user system is 640kb of RAM, a diskette drive, a hard disk, a monochrome or color display, and a parallel mode printer.

The multi-user version of the APS software requires Novell Netware* or other network software that supports workstations using DOS version 3.1 or later. The minimum configuration for a Netware server is 8mb of RAM, a diskette drive, a hard disk, and a monochrome or color monitor. The minimum workstation configuration is an IBM compatible personal computer using DOS version 3.1 or later with 640kb of RAM and a monochrome or color monitor.

* IBM is a registered trademark of the IBM Corporation. Novell Netware is a registered trademark of the Novell Corporation. NIGP Commodity/Service Code is a registered trademark of the National Institute of Governmental Purchasing, Inc.

COMPANY INFORMATION

Name THE EISEN GROUP
Address 23 Telva Road
Wilton, CT 06897-3733
Telephone 203-834-1441 (Voice)
203-834-1557 (Fax)
Officers Glenn P. Eisen, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994
	\$0.8M
Employees	6

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	High	None
Design/Redesign purchasing systems	Medium	None
Select purchasing software	Not part of service	None
Supply own purchasing software	Not part of service	None
Install new systems and procedures	Not part of service	None
Operate purchasing systems	Not part of service	None
Operate parts or all of the purchasing function	Not part of service	None
Other	High for purchasing contract negotiation and strategic outsourcing consulting	None

FUTURE BUSINESS INITIATIVES

- Planning joint venture with a law firm to expand into other areas and industries.

BUSINESS PROCESS MANAGEMENT

Current • Not a focus of the company
(including staff experience)

Potential • Unknown

Fit with D&B • Principal's background is interesting

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The Eisen Group

Management Consultants

23 Telva Road

Wilton, Connecticut 06897-3733

Telephone: (203) 834-1441
Facsimile: (203) 834-1557CompuServe: 71774,3367
Internet: 71774,3367@COMPLUSERVE.COM**About Glenn Eisen & The Eisen Group**

An internationally known expert in purchasing, reducing cost, and, supply chain reengineering and improvement. Glenn Eisen provides pragmatic advice to companies and governments who want to assure they obtain the lowest supply chain costs and to identify and take advantage of opportunities to buy better. He delivers unique solutions and permanent cost elimination. His phased methodology for conducting an operational review of purchasing is used by many internal audit departments around the world. He developed the first regional government program for monitoring and evaluating privatized and outsourced services.

Other consulting firms call on him to participate in joint ventures, to help develop their consulting practices in purchasing cost reduction, supply chain management, and operations improvement. He also help other firms by providing functional quality assurance of large projects

Associates of the Eisen Group all are seasoned consultants and managers with unique expertise in maintenance, materials, human resources, and marketing. Clients find that the firm's recommendations are practical and provide measurable benefits swiftly. Glenn Eisen directs all of the firm's projects.

With over twenty years in international consulting and thirteen years in line management, Eisen knows how to critique diverse situations quickly and efficiently. His experiences keep him up to date on what is happening globally. He prefers to have his clients leverage off his broad consulting expertise to identify and implement solutions with active participation of their personnel.

Past consulting projects have been with manufacturers, wholesale distributors, retailers, airlines, governments, hospitals, public utilities, railroads, publishers, and oil refiners. He personally has consulted with over 150 companies and governments in North and South America, Europe, Africa, Australia, Japan, The Philippines, Singapore, Thailand, and the Middle East.

Glenn Eisen's book, *Purchasing Negotiations* - (CBI 1983), is the text used by the U.S. Navy's Postgraduate School to train contracting officers. His research papers *The Future of Group Purchasing in Healthcare* (1987) and *Ethical Practices and Conflicts of Interests Benchmark Report* (1994) are widely acknowledged as accurate predictors of trends. His articles and quotes have been widely published. Universities and professional organizations call on him as a speaker.

A commercial arbitrator, Glenn is on the American Arbitration Association's national and international panels. He is a member of The Planning Forum and Institute of Management Consultants and is a certified management consultant. He is listed in *Who's Who in Finance & Industry* and *Who's Who in The East*. A member of Kiwanis International and the Australian Society, he is involved in many civic activities.

Glenn founded the Eisen Group in 1987. Before then he was a principal at Arthur Andersen & Co., a principal of The Emerson Consultants, and a packaging consultant with the Israel Institute of Packaging. At Andersen he directed and had global responsibility for the operational consulting practice in purchasing and logistics and he remains at counsel to Andersen's worldwide consulting practices. At Emerson he directed the materials management practice.

Prior to becoming a consultant, his line operating experiences included management positions in production, purchasing, materials, distribution, sales, and packaging engineering. He worked for various companies including Gillette, Simoniz and Intercraft. He has a B.S. degree in Industrial Management from Illinois Institute of Technology and served three years active duty with the United States Army Security Agency.

Non-Product for Sale Industries Experiences

Company/Government	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouse Operations	Organization & Training
Aerospace Corporation	X	X	X								X
Alberta Department of Transportation	X	X			X	X		X	X		
Allegheny Power Corporation	X	X	X	X	X	X	X		X	X	X
American Express Company			X								X
American Management Association											X
Ameritech Communications	X		X								X
Arka Exploration	X	X	X								X
Australian Airlines (Melbourne)	X	X	X	X	X	X	X	X	X	X	X
Baltimore Gas & Electric Company											X
Bayou Steel Company	X	X									X
Boise Cascade											X
British Petroleum - Australia	X	X	X	X	X			X		X	X
Browning Ferris Industries	X	X		X				X	X		
Budget Rent-A-Car	X	X									
Bureau of Indian Affairs - Navajo Reservation	X				X	X	X	X	X	X	
Carolina Power and Light											X
Centenior Systems	X		X								X
City of Atlanta	X	X	X	X	X						X
Department of Highways - Province of Vancouver, Canada	X										
Federal Aviation Administration					X		X		X		X
Geneva Steel Company	X	X			X						
Greenwich Water Works		X			X						
Illinois Bell Telephone		X		X				X		X	

Non Product For Sale Industries Experiences

Company/Government	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouse Operations	Organization & Training
Iowa - Illinois Gas & Electric			X								X
Jet Propulsion Laboratories	X	X	X								X
New England Telephone	X	X	X	X							
NYNEX Enterprises	X										X
Pacific Telephone	X	X	X	X							X
Peabody Coal Company			X								X
Philadelphia Electric Company	X	X		X	X		X		X	X	X
Puget Sound Power and Light	X	X			X	X		X	X	X	X
SIBP Refinery (Belgium)	X				X	X	X	X	X	X	X
Siderca S.A. (Argentina)	X	X									X
State of Hawaii	X	X									
State of Michigan	X	X									
State Transit Authority (Australia)	X	X									
STATOIL - (Norway)	X		X	X							X
(Sydney) Metropolitan Water Board	X			X	X						X
TENNECO Oil Exploration				X							X
The Nestle Company	X	X	X	X	X						X
TOSCO Corporation	X	X	X	X	X	X					X
Vanguard Cellular Systems	X		X								
Washington Gas Light Company	X	X		X							

Product For Sale Industries Experiences

Company/Government	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouse Operations	Organization & Training
American Can Company	X										X
AMI Multographics	X	X	X								
AMP Incorporated	X										
Arthur Andersen & Co.	X	X	X	X	X	X		X	X	X	X
Avon Products Company	X										
B. Green	X	X			X						X
Bantam Doubleday Dell Publishing	X				X						X
Baxter Laboratories	X										X
Beloit Corporation	X	X	X	X							X
Bond Brewing, Ltd. (Sydney, Australia)	X										
Brevil Motors			X	X							
Campbell Soup Company	X						X				
Carborundum		X									
Carlson Systems		X									
Chatham Steel Company		X	X								
Chem-Lawn Corporation	X					X	X			X	X
Chem-Trand Corporation	X	X	X	X							X
Cincinnati Milacron	X										X
Coachman Industries				X							X
Colgate-Palmolive Company	X										X
Commonwealth Serum Laboratories (Australia)	X	X				X					X
Contico International		X	X								
Copley Memorial Hospital		X	X								
Cote d'Or (Belgium)	X				X						
Cummins Military Systems	X			X							

Product for Sale Industries Experiences

Company/Government	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouse Operations	Organization & Training
Dictaphone Corporation					x	x	x		x	x	x
Drug Emporium	x		x		x						
Duff Nordan Company	x	x	x					x			x
Dunlop Tyre (US)		x	x		x			x			
Electroflex		x									x
ESSO Corporation (London)			x								x
Eurotherm (London)		x									
Fabricrafters	x										
Galon Manufacturing	x			x							x
General Dynamics Land Systems Division.		x									
Geneva Generics	x										
Glen Dimplex Group (England and Ireland)			x	x							x
Globe Industries		x									
Goodyear Tire & Rubber											x
Great Lakes Sales											x
Guilford Mills		x	x	x		x			x	x	x
Harley Davidson.	x			x							
Hayes Microcomputer		x									
Holden's Motor Car (General Motors Australia)	x	x	x	x							x
Hospital Society of New York		x	x								
IBM Corporation	x										
ICI (Sao Paulo, Brazil)		x									
ICV Pharmaceutical		x	x								
Ingredients Technology			x	x					x	x	
International Harvester Company		x									x
ITT Corporation	x	x									x
Japanese Purchasing Management Association											

Company/Government	Product for Sale Industries Experiences										
	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouse Operations	Organization & Training
John Deere Harvester Works	x		x	x							x
Johnson Controls		x									
K-Mart Australia		x	x								x
Kenemetal Corporation		x									
Lever Brothers Thailand		x									x
Lowes, Inc.		x									x
Manor Care, Inc.	x	x		x							x
Maremont Corporation	x										x
Mark Controls Corporation			x								x
Marriott Corporation			x								x
Mead Johnson Company											x
Michael Rees Health Plan		x		x					x	x	x
Michael Rees Hospital		x				x	x		x	x	
Microdot, Inc.	x										x
Montgomery Ward & Co.		x									x
Moore Business Forms			x								x
Motor Wheel Corporation	x	x			x	x	x		x	x	x
National Australia Bank (Melbourne)		x									x
National Restaurant Association											x
National Association of Purchasing Managers											x
Nationwide Automotive					x	x	x	x	x	x	x
New York City Health and Hospitals Corporation		x									
Northside Hospital (Atlanta)		x	x								
Okamoto Machine Company (Japan)		x						x			
PNG Products Company (Toronto)	x	x	x	x							x
Payless Cashways		x									

Product for Sale Industries Experiences											
Company/Government	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouse Operations	Organization & Training
Pekin Memorial Hospital		x	x					x			
Philip Morris - Australia		x									
Plate Glass Ltd. (Johannesburg)		x									
PNG Products Company	x	x	x	x							x
Regional Airline Association											x
Rheem Manufacturing Company	x	x	x								x
Rockwell International- Graphics Systems Group											
Rollscreen		x									
Rotron Company		x									
Satelite Glass Corporation	x			x	x	x	x	x	x	x	
Salomon Brothers		x									
Schwinn Bicycle		x									x
Scientific Atlanta											
Siemens Corporation (US)	x										
Sequa Corporation	x	x									
Siskin Steel & Supply Corporation	x										x
Smith International	x	x						x	x		
Spreckes Industries	x	x		x							x
St. John of God Hospital (Australia)	x										
St. Peter's Hospital	x										
St. Vincent's Hospital	x										x
Stanadyne Corporation	x	x									
Tenco Tractor	x										
Tevis (Frankfort, Germany)	x										x
The Population Council	x	x	x		x						
Thermo King Corporation	x										
Times Journal Publishing		x									

Product for Sale Industries Experiences

Company/Government	Purchasing Strategy	Buying	Negotiating	Sourcing	Inventory Strategy	Inventory Planning	Inventory Control	Inventory Reduction	Facilities Strategy	Warehouses Operations	Organization & Training
Company											
TOPCO Cooperative	x	x									
Trabore (London)			x								
University of Chicago Hospital			x								
Valley Medical Center		x									
Velsicol Chemicals		x									
Vendo Corporation		x					x				x
Victorian Hospital Association (Australia)	x	x		x							
Marshawsky & Co.		x									
Weir-Kitby Corporation		x									
Westinghouse Electric Corporation	x										

COMPANY INFORMATION

Name FINANCIAL PURCHASING MANAGEMENT SYSTEMS

Address P.O.Box 11155
650 S.Rock Blvd., Suite 10
Reno, NV 89510

Telephone 800-328-7804 (Voice)
702-856-2408 (Fax)

Officers Ross E. Barker, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994
	under \$1M
Employees	14

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	Not part of services	
Design/Redesign purchasing systems	High	None
Select purchasing software	Not part of services	None
Supply own purchasing software	High	None
Install new systems and procedures	High	None
Operate purchasing systems	High	None
Operate parts or all of the purchasing function	Medium	None
Other		

FUTURE BUSINESS INITIATIVES

- Planning a Windows based product
- Expansion into state & local government markets

BUSINESS PROCESS MANAGEMENT

- | | |
|---|--|
| Current
(including staff
experience) | • Length of experience in this area is an asset, as well as customized offering for financial and insurance markets. |
| Potential | • Planning expansion in state & local government market. |
| Fit with D&B | • Possible |

COMPANY INFORMATION

Name GREENTREE SOFTWARE

Address 201 Boston Post Road, Suite 201
Marlboro, MA 01752

Telephone 508-460-7997 (Voice)

Officers James Schacher, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994
	\$1-2M
Employees	25

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	High	None
Design/Redesign purchasing systems	High	None
Select purchasing software	Low	None
Supply own purchasing software	High	None
Install new systems and procedures	High	None
Operate purchasing systems	Not part of services	None
Operate parts or all of the purchasing function	Not part of services	None
Other		

FUTURE BUSINESS INITIATIVES

- Planning a total integration of E-Mail purchasing network "Buyers Network".

BUSINESS PROCESS MANAGEMENT

Current • No plan in this area, clients get these services from
(including staff larger firms.
experience)

Potential • Possible

Fit with D&B • Possible



COMPANY INFORMATION

Name PROCUREMENT ARTS INTERNATIONAL

Address 10059 Boynton Place Circle
Boynton Beach, FL 33437

Telephone 407-738-5612 (Voice)

Officers Jim Ashley, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994 \$80K
Employees	1

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	High	None
Design/Redesign purchasing systems	High	None
Select purchasing software	Low	None at this time, may be high in 5 years.
Supply own purchasing software	Not part of services	
Install new systems and procedures	Medium	
Operate purchasing systems	Not part of services	
Operate parts or all of the purchasing function	Not part of services	
Other	Medium for training High for purchasing negotiation consulting	Medium to high for training None for consulting

FUTURE BUSINESS INITIATIVES

- Discussions with American Purchasing Society to use technology to manage the purchasing process.

BUSINESS PROCESS MANAGEMENT

- Current (including staff experience)**
- Company does not have the resources to provide services to operate a purchasing function.
 - Clients receive these services from larger firms.

Potential

- Fit with D&B**
- Individual might be useful to business.



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Breaking the Barriers

The best selling pager in Japan...is American

—by Jim Ashley

A recent article in the Palm Beach Post told how Motorola got its workforce involved in the process of quality and service by enhancing the knowledge of its workers. The good news is that Motorola's efforts earned it the honor of top selling pager in Japan (the super-quality folks). The bad news is that very few companies will read and heed the facts therein.

Just a few years ago the Motorola Pager Division, headquartered in Boynton Beach, found itself totally blocked from the Japanese market; "trade barriers," one could say. Many companies would have complained to the U.S. government, just another statistic in the long list of excuses for the foreign trade imbalance. Motorola did not. They found out what the Japanese wanted in the areas of innovation, quality, dependability, servicability and customer satisfaction and mounted a massive offensive to break the barriers.

What Motorola found out was that "world-class" meant more than having a familiar logo. Quality was the word, in everything. Since 1988 90% of Motorola's line workers have been intensively trained in robotics. "Skill levels have absolutely increased," according to Leigh Fountain, coordinator for Palm Beach County industry services and member of the Gold Coast Chapter of ASTD.

The addition of Total Quality Management (TQM) added fire to the uncovering of faulted processes and useless mistakes. Workers formed process action teams and questioned what was going on in manufacturing. One enthusiastic process action team "The Scrap Attackers" reduced waste by over 85% in just one year.

Motorola is on the road toward the elusive "6 sigma" level of quality. Currently the defect level is less

than 30 per million units. The goal is 3 per million. Calculate these advances in dollars and the company has saved \$3.2 billion dollars in just five years. **SAVED 3.2 Billion!**

In 1982, world-wide pager sales were just 3.8 billion dollars. Today, thanks in part to the volume of sales in Japan, the total is three times that, over \$13 billion.

The Japanese can now purchase a high quality product, at a highly competitive price, and when inquiring about service can speak to a Motorola trained, Japanese speaking consultant. All this because of a total commitment to Total Quality.

America is looking for the quick fix for its problems. The quick fix is a five year plan, not a quarterly accounting. Motorola proved it. It works. Education, training and development of human resources are the answer. ☺

Leadership Development : A Top Priority

The term *manager* is disappearing from business as business seeks *leaders*. ASTD surveyed a group of U.S. Companies and found that 45 percent of the respondents' companies said that leadership development is a high priority. Seventy-five percent of the respondents reported that their companies offer leadership development programming.

Fifty-four percent of the companies reported that their companies have a set of recognized leadership values.

Subjects of most interest were the importance of teamwork, conflict management and negotiating. Quality and planning were also cited, including developing the skills needed to carry forth the goals and vision of an organization.

Organization issues included employee empowerment, training, turnover rates, job rotation, succession planning, organizational values, and business ethics and practices.

- Several words or phrases were most commonly cited as leadership values:
- Quality
 - Teamwork
 - Customer focus
 - Customer satisfaction
 - Integrity
 - Ethics
 - Trust
 - Respect
 - Honesty

Diversity was included and means to use culturally diverse workforce to strengthen an organization.

Two important subjects mentioned were managing change in the workplace and being a catalyst for change.

In the delivery of training 26% said they used outside suppliers or consultants; 19% used off-the-shelf courses and 5% used university programs. In-house staff provided 62% of the programs.



PROFESSIONAL PURCHASING

REPORT NUMBER 5

JULY 1990

The Art of the Interview

How a Buyer Interviews Salespeople

The average person either fears dealing with salespeople or thinks it is easy. If it is for personal purchases, many people dislike having to talk to salespeople because they are afraid they cannot resist making a purchase. When buying for a company, many non-purchasing people have no hesitation in discussing needs with salespeople because the product is either needed or it isn't. If needed, there is no hesitation to listen to the salesperson. If not, it is easy to tell the salesperson that there is no need for the product. Therefore, there is a general impression that anyone can do the interviewing and no special technique should be applied.

On the contrary, using the proper interviewing method saves time and results in a better purchasing decision. Purchasing professionals have more experience and are normally better qualified to do sales interviews. They are more resistant to sales pressures because they must be. Bids and sales efforts for similar products are usually received from more than one company. Since the purchase is normally made from only one source (except in high volume, multi-source situations), many suppliers must be told that no purchase will be made from them. Buyers get used to being bearers of bad news and therefore are toughened to sales pressures.

But the very fact that buyers reject suppliers without much thought can sometimes produce sloppy interviewing methods. A busy buyer may not listen as closely as he or she should to the sales presentation. Questions may not be asked to get all the necessary information to make a wise buying decision. A good

Continued on page 2.

The Buyer "Close"

by James M. Ashley, CPP

Have you, as a buyer, ever thought about the tactics sales people use on you every day? One of the favorites of salespeople is the close (close the deal, NOW).

The first close is the assumptive close. You are on the telephone with a sales person and he assumes that since you have asked him to quote price and delivery, the sale will come his way. To assure that this happens the sales person might say something like, "Can I ship you anything else with this order?" "What order?" you say, "I haven't given you any order."

A buyer might use an assumptive close on the sales person. "You know," the buyer says, "I can't tell you how pleased manufacturing is going to be when they know they will have their parts in stock next week." "Next week!" the salesperson will say, "I don't think I can get even half of your order to you in three weeks." The assumptive close...from the salesperson.

Another favorite is the "trial close." It goes something like this, "If I could show you another product that better fits your needs will you order today?" The salesperson is testing your willingness to buy today and your authority to change requirements.

The buyer can use a similar tactic. You might say, "If I show you how you can increase your gross profit on this order by reducing your unit price by 10%, will your company be able to start work on the parts in 30 days?" The idea is to feed an open-ended question to the salesperson in order to gain information. If the seller is interested in gross sales or gross profit instead of piece pricing, you may have fulfilled your goal. In negotiations I have found time and time again that I can benefit more by reversing a sales tactic than by trying to wear down the opposition.¤

INTERNATIONAL BUSINESS CHRONICLE

THE REPORT ON INTERNATIONAL BUSINESS IN FLORIDA AND THE SOUTHEAST

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INTERNATIONAL BUSINESS CHRONICLE

JUNE 11-JUNE 24, 1990

Analysis Taiwan trading Republic of China buyers seeking U.S. goods

James M. Ashley
Special to the Chronicle

Of all the countries in the Far East, the Republic of China—better known as Taiwan—has been the most enthusiastic in promoting economic relations with and imports from the United States. Literally hundreds of Taiwan trade missions have come to our shores seeking to buy American goods. Our response to those efforts, however, has been far less than enthusiastic.

Last September, such a buying mission took place at Miami's Intercontinental Hotel. Billed as "Buy American Promotion Mission from Taiwan Republic of China," a brochure proclaimed the event as a \$4 billion opportunity for sales to Taiwan. Little activity has resulted from this effort. Subsequent efforts have reportedly accomplished little more than institutional publicity. South Florida business appears to be apathetic to exporting.

Taiwan imported a total of \$52 billion in 1989. While more than a quarter of that came from the United States, more than 30 percent came from Japan. Analysts maintain that since Japan is geo-

high percentage of Taiwan exports.) Taiwan is mounting "concerted efforts" to rectify the balance of trade with the United States, he said.

One glaring example of just how inactive U.S. marketers have been is in importation of art works and collectors' pieces. In 1988, Taiwan bought more than \$40 million of those items, \$11 million from Japan, but just under \$3 million from the United States. I submit that many of the artworks may have originated in the United

tial to imported items, particularly quality ones with famous western brand names...Taiwan's economic success has led to the emergence of a sizable middle class with sufficient disposable income to purchase a wide range of consumer goods."

Taiwan's consumer products market today totals about \$30 billion annually. The average consumer spends a per capita \$2,256 annually, and that figure is rising at nearly 30 percent a year. To access this

Taiwan's consumer products market today totals about \$30 billion annually. The average consumer spends a per capita \$2,256 annually, and that figure is rising at nearly 30 percent a year.

States, and that it took the persistence of a Japanese sales person to market the goods while the American dealer declined to appreciate the Taiwan opportunity.

Another disparity in import distribution is in the area of electrical apparatus, such as circuit breakers, switches, relays and fuses. During 1988, Japan provided more than \$500 million worth of such items, nearly four times the U.S. segment. Surely there is a U.S. electrical products manufacturer who would relish the idea of tapping a half billion dollar market.

Some other percentages of Taiwan's import market, effectively accessed by Japan are: telephone equipment, 45 percent; security systems, 72 percent; water and space heaters, 73 percent; vending machines, 88 percent; and coke and other products from coal, 86 percent, according to the Taipei-based China External Trade Development Council (CETRA). Now, I ask you: just where do you think Japan bought the coal to process into coke?

Other viable Taiwan markets exist in the areas of semi-conductors, digital integrated circuits, motor vehicle parts, raw cotton, electronics and machinery. There also are many virtually untapped markets that may entail strong marketing efforts but certainly will become lucrative in the next decade. Among these are lawn and patio furniture, recreational items, camping equipment, home furnishings, gadgetry and cosmetics.

A CETRA publication entitled, "What You Can Sell to Taiwan, Republic of China," states: "Taiwan's consumer is par-

lucrative market, you need a quick course in the marketing and distribution system in Taiwan.

The easiest way to learn these systems is to contact one of the many Taiwan offices throughout the United States. In Miami, call the Coordination Council for North American Affairs. Francis K.H. Liang heads this office, dedicated to the promotion of trade and economic relations for the southeastern United States.

As with any foreign market, personal contact is vitally important. In order to succeed, you will need the services of an in-country advertising agency, an import broker or trading company, and an interface to your end-user or sales outlet.

When you travel to Taiwan, plan your itinerary well in advance. Hotel rooms often are booked six months in advance. The trip will take you about 30 hours, door-to-door.

You will have plenty of time to brush up on a few Mandarin phrases from a traveler's language book, a definite asset to your success.

Plan also to see some of the fabulous sights in Taiwan: Sun Moon Lake, the Chiang Kai-Shek Memorial, Taroko Gorge or the Alishan Forest.

Centuries ago, Portuguese explorers named this island Ilha Formosa, or, Beautiful Island. Taiwan, in Mandarin, means Terraced Bay. Throughout history, this little island has been invaded by Genghis Khan, the Dutch, Spanish and Japanese. Today, Taiwan is a major economic power in the Far East.

Twentieth century traders who are able to provide worthwhile products to this market will surely be rewarded, not only in business but in knowing its marvelous people. ▲

Info

United States/Taiwan Trade Stats

Total U.S. Imports from Taiwan	\$24.8 billion
Total U.S. Exports to Taiwan	\$11.9 billion
Total Florida imports from Taiwan	\$510.4 million
Total Florida Exports to Taiwan	\$43 million

Principal U.S. exports to Taiwan (1988/millions of dollars)

1. Gold	\$2,532
2. Organic chemicals	\$761
3. Electronic components	\$688
4. Passenger cars	\$530
5. Soybeans	\$478

Principal U.S. imports from Taiwan (1988/millions of dollars)

1. Footwear	\$2,446
2. Toys	\$1,658
3. Automatic Data Processing Machines	\$1,235
4. Furniture	\$1,210
5. Telecommunications equipment	\$1,193

Source: 1988 U.S. Department of Commerce figures.

graphically closer to Taiwan products are less expensive, due to transportation costs.

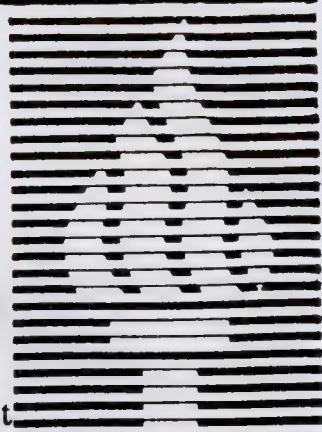
The Director General of Taiwan's Board of Foreign Trade, K.S. Sheu, remarks: "the Japanese business aggressiveness in marketing their products is no doubt the dominant factor" (in Japan's

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ASTD

American Society For Training And Development



VOLUME 5 NUMBER 5

MAY 1990

PROGRAMMING BYLINE Ideas Are Not Memorized

by James M. Ashley

John Naisbitt purports that "...If we aim to re-invent the corporation, we must give some thought to reinventing education, too." Mr. Naisbitt feels that we need to give our students a little TLC. In contrast to the nurse's "Tender Loving Care," his acronym stands for Think, Learn and Create.

Professors teach teachers to present material. Teachers teach students to learn (memorize) material. Students are so full of material that most are on overload. There is inadequate time and little demand to teach problem solving, motivation and the rewards of creativity.

To gain proficiency in those missing links in our education system, a student must seek out a tutor, a confidant, a TRAINER. This mentor, with patience and understanding, must painstakingly nudge the reluctant protege toward thinking, learning and creating.

This may be accomplished most effectively through motivation. In order to advance into the foreboding domain of THINKING, one must have a reason to do so. He must be amply motivated toward the accomplishment of goals, the anticipation of rewards, and be energized to such an extent that he will possess the patience to persevere.

Some ardent souls are motivated by professional motivators, such as Earl Nightengale, Norman Vincent Peale, Napolean Hill and Zig Ziglar. Others may be motivated by their religious affiliations. Still others seek aid from a psychologist or other professional entity. What is missing, is this motivation "thing" being an integral part of the American educational process. To be able to think for oneself — yeah, to DESIRE to think for oneself — may be the secret to the rebirth of our American educational system. Should the formal system fail to provide the necessary ingredients, the professional trainer must.

Someone once defined a person's competency level by those who discuss people, those who discuss events, and those who discuss ideas. Real thinking comes from ideas, not from Mary's new hair-do or from Joey's golf score, but from Robert's observation on how to increase America's global competitiveness. Now that's an idea!



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INTERNATIONAL BUSINESS CHRONICLE

MAY 28-JUNE 10, 1990

Export Dealmaking Japanese style *The art of 'bushido' is key to negotiations*

Ten Tips

1. Get yourself introduced
2. Patience is a virtue
3. Humbleness: next to godliness
4. Develop a relationship
5. Delay money talk
6. Bring lots of business cards
7. Don't be cheap! Wine and Dine
8. Bring momentos
9. Learn the language and culture
10. Avoid embarrassments

James M. Ashley
Chronicle correspondent

The mystery of doing business with Japan still prevails among the slings and arrows of would-be participants in the most affluent market opportunity in Asia. Traders often complain of trade barriers, protracted negotiations and Japan's apparent indifference to American products.

While all this obfuscation is going on, there are success stories of American companies, including Schaumburg, Ill.-based Motorola Inc., Wichita, Kan.-based Pizza Hut Co., and Oak Brook, Ill.-based McDonald's Corp., thriving in this so-called closed market. How do they do it? Let's take a look at some proven strategies.

First, get yourself introduced in Japan. You must ensure that your selection will provide the highest possible credibility to the parties with whom you wish to do business. This ombudsman is your entry ticket to the event. Without this intermediary, you will appear as a gate crasher.

Plan to spend a long time fulfilling your mission, and be patient. Most Japanese managers have been trained in some form of bushido, the ancient code of the samurai. Bushido teaches patience and forbearance. From this code also come the practices of bowing, maintaining harmony, stoic endurance, consensus and love of country. When you learn of a

characterized as arrogant and pushy in their dealings all over the Far East. The maintenance of harmony is a requirement of the first order. A major Japanese company will reject any deal, no matter what the anticipated benefits, if its executives feel the chemistry between the parties will not work.

Don't get down to business. In Japan, people-finding takes precedence over fact-finding, and image over substance. At one

expensive. A dinner at a local Holiday Inn probably will not suffice. Japanese travelers enjoy cultural events, theatre, music and sports. A box seat at a football or baseball game may be just as appropriate as a night on the town. Ask their preference. The subject matter gives you some great discussion material for delaying getting down to business and time for both parties to do some people-finding.

Mementos of the meeting promote

"Humbleness is next to godliness. For decades, Americans have repeatedly been characterized as arrogant and pushy in their dealings all over the Far East."

Far East

meeting of two very large companies, represented by one American and one Japanese man, not even the agenda was shown or discussed until the third meeting—four days into the relationship. The term "relationship" has more than a passing meaning. We teach our salespeople that customers do business with people they like. This rule is ever so true in Japan. To know your adversary relates again to bushido.

Money talk should be delayed as long as possible. The substance of the dealings must be totally understood and accepted before any mention is made of price or cost. If you are buying from the Japanese, they will be offended if the price of an item takes precedence over their pride in the function or quality.

If you are selling to a Japanese company, the price is of little importance if the product is not acceptable.

Take plenty of business cards. They will be arranged on the table in front of each member of the Japanese team, and referred to every time a member of your team speaks. They will be registering all that is said, the speaker's name, the way in which it is said and the level of harmony exuded by that speaker. They will go home with a mental picture linked with a name that will be important during their consensus discussions later. Make sure you have, on the back side of the business card, all pertinent information translated into Japanese. Your thoughtfulness here will be appreciated. After all, you expect to receive their business cards in English, don't you?

Be prepared to wine and dine the Japanese when they visit you. You are the host in America and your guests will receive the same business treatment their company expects you to receive in Japan. Japanese night spots tend to be lavish and

harmony. Given just before you leave, a small token will help your counterparts remember the good times. When going to Japan, choose gifts that are not common in that country. Good scotch whiskey, wine or perfume can be purchased from the in-flight, duty-free shop and delivered with your baggage. American handicrafts or small art works reflect your interest in culture. Sweat or T-shirts reflecting the names of important places or events are a learning experience for children. If you have done your homework, you should know sufficient information about the people with whom you are meeting to choose an appropriate gift.

Learning the language and culture of Japan may just give you the extra points you need to be accepted as a person and as a company doing business in Japan. You don't have to be fluent in the language, but as few as 25 words relating to greetings, weather, time or dining will stand you in good stead, not only in the conference room, but in your travels as well. Knowledge of major cultural events, famous birthdays or religious holidays will show your interest in what your counterparts find important. After all, the average Japanese businessperson with whom you are dealing has spent years learning English, the meaning of Washington's birthday and the fourth of July.

Avoid embarrassing situations. Never chastise or downgrade a member of your own group or of theirs, for that matter. This is another way of maintaining harmony, but must be stressed again and again. Harmony is the key to success. The simplicities of a Japanese garden is the epitome of the lifestyle in Japan. If you break the pattern of the sand or upset the harmony of the rocks, your mission is over. As the saying goes in the china shop: "You break it—you bought it!" You may return sadly home to try again another day. ▲

Info

Other Japanese Resources

- "The Japanese Mind," by Robert Christopher, 1983, Fawcett publishing
- "Yen!" by Daniel Burstein, 1988, Simon & Schuster
- "The Japanese Negotiator," by Robert M. March, 1988, Kodansha International
- "How to do Business with the Japanese," by Boye De Masiel, 1987, Passport Books
- "Japanese Business Etiquette," by Diana Rowland, 1985, Warner Books
- "Japan: In the Land of the Broken Hearted," by Michael Shapiro, 1989, Holt
- "Getting Your Yens Worth," by Robert T. Moran, 1985, Gulf
- "The Art of Japanese Management," Richard Pascale, 1981, Warner Books
- "The Book of Five Rings," Miyamoto Musashi, 1982, Bantam
- "Going International," by Copeland & Griggs, 1985, Plume
- "Gucci on the Ginza: Japan's NEW Consumer Generation," George Fields, 1988, Kodansha International

Source: James M. Ashley

negotiation that has gone on forever without any appreciable progress, that is the perception of an American. In the eyes of a Japanese business man, things may be progressing just fine.

Humbleness is next to godliness. For decades, Americans repeatedly have been

MEGATRADE

Pre-departure preparation for Pacific Rim Missions

BACKGROUND

Many of America's greatest salespeople return from the Far East with less than satisfactory results, some return empty handed and others just plain make fools out of themselves. Experienced buyers often wonder if they have left something behind. Career managers can't understand what went wrong. It's a different world. The Pacific Rim cultural barriers become the trader's nemesis.

THE SOLUTION

Only through an in-depth awareness of the character and ramifications of the "modus operandi" of Far Eastern business dealings can the American trader hope to come home with the best deal.

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Managers
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Historical background
Economic variables
Why salesmen fail
Why buyers fail
How to succeed
Person finding
Protocol
Etiquette

Cliche cautions
The meaning of "Yes"
Silent Signals
Strategy & Tactics
Communication skills
Consensus Management
Maintaining Harmony
Travel Tips

HOW YOU WILL BENEFIT

Increased Sales
Cost Effective Purchases
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Through exposure to the variables in culture, philosophy, sociology and business practices that exist outside our borders, you will possess the superior skills necessary to succeed in reaching your goals in the expanding Global Marketplace.

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JAMES M. ASHLEY, CPM*
Author, Speaker, Consultant

As co-author of *The Handbook of Buying and Purchasing Management* (Prentice Hall 1992) Mr. Ashley has provided the first all new, comprehensive text for purchasing since 1947. Purchasing in the 90s will require more innovative approaches as the global economy continues to expand and corporations continue to downsize. This book explains the "how-to" necessary for these transitions.

Mr. Ashley has over ten years of experience in PURCHASING from cosmetics to computers, coupled with ten years of experience in SALES from hardware to real estate. He understands BOTH sides of the negotiating table. He has applied all this knowledge as an author, negotiator, and trainer in Asia and South America as and across the U.S. Such a broad outlook into the total picture of materials management will become a valuable asset to your company.

As a consultant, Mr. Ashley is a Deming student and a TQM facilitator and has provided significant cost savings and organizational enhancements to a variety of companies in both the industrial and service sector.

* Certified Purchasing Manager, American Purchasing Society

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10059 Boynton Place Circle
Boynton Beach, FL 33437



Management Consultants

PROCUREMENT ARTS INTERNATIONAL

WHAT IS PROCUREMENT ARTS?

Procurement Arts aptly describes the innovative methodology with which Mr. Ashley produces superior cost savings for business. He subscribes to a concept of "Creative Buying" from a standpoint not unlike Creative Financing, as performed by a Realtor or Creative Investing, as practiced by a Certified Financial Planner.

The concepts of Total Quality Management, the Deming Philosophy, and the requirements of ISO 9000 all guide his strategies.

He believes that to be thorough in an approach to purchasing is to disclaim *paper-pushing* and continually seek to be creative and pro-active throughout the entire process.

He believes that "every buyer must be a salesperson." He makes use of every conceivable tool in order to reduce the cost of purchased materials and enhance the effectiveness of purchasing personnel.

In the area of Total Quality Management, Mr. Ashley has designed and developed a two-day course in TQM covering significant activities that purchasing can pursue that will provide long-term value to your company.

Other workshops and seminars developed by PAI include, Negotiations, Contracts, Sourcing, Off-Shore Suppliers and ISO 9000.

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MISSION

To create a "success environment" which facilitates cost effectiveness in all Procurement activities. To produce a "results oriented" enhancement to an existing organization which will yield superior cost savings on purchased materials, enhanced vendor relations, improved productivity and reduced logistics liabilities.

BENEFITS

COST EFFECTIVENESS in:

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- Contracts Administration** - writing, defending, maintaining, terminating
- Business Partnerships** - win-win, long-term relationships
- Negotiations** - strategy, preparation, performing, renegotiation
- Suppliers** - selecting, managing, cost models, offshore caveats
- Total Quality Management** - measurements, team building, communication
- Consensus Building** - internal negotiations, cross- functional dependencies
- Sales** - buyer marketing, volume sales, revenue relationships
- Global Marketplace** - ISO 9000, pre-departure cultural training

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To establish a win-win situation for the acquisition of goods and services
there must be a *Business Partnership*.

Supplier Sourcing HIGHLIGHTS

Know your Requestors

Getting involved

Know your stuff

Communication

RFI Development

Understanding the market

Collecting data

Documentation

Bidder Selection

Supplier survey

Financial reports

Capabilities

Business Case

Business objectives

Cost considerations

Acceptance criteria

Source Review Board

Team participants

Function

Evaluation techniques

RFQ Development

Selection of bidders

Structure of documents

Contents of package

Bidder conference

Just In Time

Supplier training

Quality considerations

In-House preparation

Supplier Partnerships

Risk sharing

Contract considerations

Nurturing

International Sourcing

Supplier certification

ISO 9000

Asian suppliers

Latin American sub-contracting

Total Quality Management (TQM)

Supplier requirements

Documentation

Communication

Sourcing your requirements is more than just a phone call or quotation exercise. In order to maximize the profits to your company there must be an in-depth relationship through all phases of product acquisition. Learn the hidden requirements and methods that will ensure a quality, cost effective, on-time delivery of your company's needs.



SEMINAR LEADER

James M. Ashley, CPM



Mr. Ashley has a 30 year background in negotiations both from the purchasing side of the table and from the sales side. During over ten years at IBM he served in many capacities from buyer to manager. Most recently he spent five years as a Far East negotiator responsible for contracts administration and managing suppliers for the IBM Personal Computer.

While serving as purchasing instructor for IBM, Entry Systems Division Mr. Ashley presented a variety of seminars at home and abroad.

On the other side of the table Mr. Ashley has been sales manager, sales trainer and salesman for a diverse group of companies from network marketing to real estate.

Mr. Ashley is co-author of *Handbook of Buying and Purchasing Management*, Prentice Hall 1992

Who's Who in the South and Southwest has included Mr. Ashley in their 1990 edition as well as Who's Who in US Executives.

PARTICIPANT REACTIONS:

"He knows his stuff"

"Fascinating information."

"Most informative presentation given."

"Great insights into long-term relationship requirements."

"Sourcing is more than a phone call"

"Excellent topic; wanted, needed."

"Fascinating to hear about other cultures with your delightful blend of humor"

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ASSUME is a dangerous word. You must have a written understanding of the business relationship before you commit your money.

How to **WRITE** and **MANIPULATE** words to ensure an effective business realtionship.

CONTRACT MANAGEMENT HIGHLIGHTS

ENGINEERING

Specifications
Product
Approved Vendors
Packaging

Tooling & Test
Vendor owned
Consigned
Calibration
Hard/soft tools

Engineering Changes
Company initiated
Vendor Initiated
Cost savings split
Emergency handling

Quality
MTBF
Supplier certification
Workmanship standards
Inspection
ISO 9001

Spare Parts
Availability
Warranty
Duration of coverage

Warranty
Duration
Failure Analysis
Cost vs. MTBF

Repairs
In warranty
Post Warranty
Repair warranty

PURCHASING

Order Placement
Minimum lead time
Acknowledgment period
Emergency PO

Shipping
FOB Point
Carrier
Title passage
Broker

Delivery Schedule
JIT (Just in time)
Changes
Expediting
Replacements

Product Pricing
Price/Quantity Matrix
Long term contract
Bill-back
Rejects

Documentation
Cost model
Sourcing AVL
ISO 90001

Approvals
Signatures
Negotiations
Matrix

Format
Appearance
Copies
Translations

FINANCE

Price/ Quantity
EOQ decisions
Quantity position
Redeterminable Price

Bill-Back
Date of Cancellation
Review costs

Order Cancellation
Timing
Exposure to cost

Consignment
Identification
Depreciation
Inventory control
Payment schedule

Payment Terms
Date of receipt
Authorizations

Renewal Term Price
Review of costs
Link to Index

Currency Exchange
Rates
Formulas
Index

LEGAL

Title & Loss
Ownership
Liabilities

Mfg. Rights
Supplier Fails
Transfer of Liabilities

Termination
Exposures
Liabilities
Arbitration

Patent Rights
Ownership
Patent search
Royalties

Confidential Info
Security of
Storage
Management

Public Disclosure
Relationships
Competitive advantage

ISO 9000
TQM
Export
Import

Who Should Attend

Buyers, Contract Administrators, Corporate Attorneys
Program managers, Purchasing managers



SEMINAR LEADER

James M. Ashley, CPM



INSTITUTE OF
MANAGEMENT CONSULTANTS

Mr. Ashley has a 30 year background in business as a manager and internal consultant. During over ten years at IBM he served in many capacities from buyer to manager. Most recently he spent five years as a Far East contract negotiator responsible for administration and management of suppliers for the IBM Personal Computer. Contracting 2000 has been presented to Inc. 500 companies, government contractors and International Purchasing organizations in the Far East and South America.

As a noted speaker and member of the National Speakers Association, Mr. Ashley has addressed audiences on three continents and is currently providing TQM and ISO 9000 consulting and contracting services to companies preparing for the European Community requirements.

Mr. Ashley is co-author of the *Handbook of Buying and Purchasing Management*, published by Prentice Hall. In addition, he has published numerous articles for magazines, newspapers and newsletters in a variety of subjects of interest to business and industry.

Who's Who in the South and Southwest has included Mr. Ashley in their 1990 edition as well as *Who's Who in US Executives*.

PARTICIPANT REACTIONS:

"He knows his stuff"

"Fascinating information."

"Most informative presentation given."

"Very interesting presentation of a tough subject."

"Excellent topic; wanted, needed."

"Piqued my curiosity to know more."

TQM 2000

International Management Strategies

Created and Developed by:



**TOTAL
QUALITY
MANAGEMENT**

inc.

**How to position
your company as a
Global Competitor**

Global competition, customer demands and ISO 9000,
will all become major factors in the success of your business.
TQM, as a process of ongoing improvement "kaizen",
will ensure a place for your company in the global future.

TQM HIGHLIGHTS

BACKGROUND

- History of Quality
- Leaders
- Successes
- Failures (Why?)
- Managing change
- Quality culture
- Customer/Supplier
- Cost of quality

STRATEGIES

- Goal setting
- Training
- Efficiencies
- Effectiveness
- Productivity
- Negotiation
- Customer service

TOOLS

- Brainstorming
- Pareto diagram
- Histogram
- Gantt charts
- Flowcharts
- Cause & Effect diagrams
- Control charts

MEASUREMENTS

- 7 Basic statistical tools
- Formulas

COMMUNICATION

- Interpersonal skills
- Conflict management
- Active listening
- Meeting & presentation management
- Group dynamics
- Consensus building
- Inter-departmental synergy

METHODS

- Brainstorming
- Prioritizing
- Team building
- Process documentation
- PDCA
- Deming cycle

BENEFITS

- Improved communication
- Worker empowerment
- Enhanced morale
- Cost effectiveness
- Satisfied customers

WHO SHOULD ATTEND

Key operating officers, staff executives and managers with multi-functional responsibilities.
Supervisors and workcrew heads with interdepartmental requirements.



SEMINAR LEADER

James M. Ashley, CPM



Mr. Ashley has a 30 year background in buyer/customer relations as a salesman, buyer, manager and consultant. As a buyer he demanded satisfaction in products and services. As a salesman he strived to provide satisfaction. Rarely does one find both sides of the business in one person. Mr. Ashley has that experience in retail, wholesale, direct sales, service, distribution and international protocol.

Mr. Ashley is co-author of *The Handbook of Buying and Purchasing Management*, published by Prentice Hall. This book, based on TQM principles, is a compendium of everything a buyer must know in order to provide a quality, cost competitive product to the customer both internal and external. It's a perfect primer, too, for salespeople who *really* want to satisfy the buyer.

Who's Who in the South and Southwest honored Mr. Ashley by including him since their 1990 edition. He is also listed in *Who's Who in US Executives*. In 1992 he joined the W. Edwards Deming Study Group for the Transformation.

PARTICIPANT REACTIONS:

"He knows his stuff!"

"Fascinating information."

"Most informative presentation given."

"Very interesting presentation of a tough subject."

"Piqued my curiosity to know more."

"Excellent topic; wanted, needed."

Negotiating 2000

Created and Developed by:



Sponsored by:

Palm Beach Community College
The Institute of Government
and
Gold Coast Chapter
American Society for
Training and Development

*Business Negotiations are
a TWO-WAY Street
Which way are YOU headed?*

What You Will Learn

BUYER PROSPECTING

Supplier Needs Analysis
People Finding
Personality Considerations

THE BUYING FORCE

Team Building
Mission Training
Group Synergy

BUYING STRATEGY

Targets & Goals
Needs Satisfaction
Risk Sharing
Agendas
Positions
Concessions
Value Analysis
Time Considerations
Hot Buttons

BUYER CONTROL

Rapport
Power Generation
Time Schedules
Caucus

BUYER TACTICS

Seller Desire
Emotional Selling
Take It or leave It
Haggling
Nibbling
Answering Objections
Buyer Close
Silence
Chinese Auction
Good buyer/bad buyer
Surprise

MORE BUYER TACTICS

Ultimatums
Competition
Hard Buying
Withdrawal
Reversal
Redirection
Deadline

FAILURE ANALYSIS

Anticipate Failure
Counter Measures
Regroup

REVIEW

Reporting
Anticipation
Renegotiation

SUPPLIER MANAGEMENT

Follow-up
Escalation
Changes

GLOBAL CONSIDERATIONS

Cultural Caveats
Non-verbal moves
Protocol
Communication
Harmony
Economic Variables

PLUS...

*Thinking
Learning
Creating*

WHO SHOULD ATTEND

Buyers

Sales people

Purchasing Managers

Engineers

Project Managers

Financial Managers

Small Business Owners

Materials Managers

NOTE: This seminar will be of special value to sales people as well as buyers. Most sellers don't know what goes on behind the scenes. The information presented in this seminar will enhance your sales ability by knowing what buyers *really* want.

Consulting 2000

**How to Build and Maintain
your own Consulting Practice**

Developed by:

Howard L. Shenson

Presented by:



Sponsored in part by:

CCC Coyne's
Comprehensive
Consultants, Inc.

and



The Institute of Management Consultants
Florida Chapter

How to obtain more clients,
larger contracts, better projects...
make more money with less effort and
build a truly substantial referral network.

Here's what you'll learn in just 6 hours

Picking your field

Education requirements
Technical skills
Communication skills
Human relations skills
Specialist vs. Generalist

Setting up your business

Business plans
Office requirements
Equipment
Licenses & regulations

Profitable fee setting strategies

Computing your fee
Types of fee arrangements
Maximizing profitability
Scheduling your fee
No-fee assignments

Marketing your services

Establishing objectives
Niche marketing
Promotion
Prospecting
Client profiles
Publicity & advertising

International marketing

Finding prospects
Developing credibility

Meeting with clients

Types of meetings
Professional image
Preparing proposals and contracts
Negotiating
Closing

Proposals & Contracts

Types of agreements
Negotiating
Revising clauses
Legal implications
Retainers

Sub-contracting other services

Expanding the assignment
Types of contracts
Co-op assignments
Support services

Managing the assignment

Project management
Interviews
Reports
Increasing scope of work

Increasing billable hours

Retainers
Supplies and merchandise
Newsletters
Writing & Speaking

Who Should Attend

This seminar is designed for those new to consulting as well as those looking for new methods or markets. Previous seminars on this subject have been attended by principals and staff members of firms in engineering, accounting, health services, hospitality, as well as a variety of inside consultants in industry and government.

Video Seminar Available

If you can't attend this seminar you can learn how to build a successful consulting practice through Howard Shenson's *Video Tape Series*. Volume 1 covers consulting opportunities and marketing strategies and Volume 2 contains information on proposal writing, contracts, Fees and Collections. See Registration Form for ordering information.

*Coyne's Comprehensive Consultants provides a brokerage and management service to consultants. CCC markets and secures client assignments that require a wide range of consulting experience and expertise.

*The Institute of Management Consultants is headquartered in New York City and is a division of the Council of Consulting Organizations. The IMC provides the designation "CMC" Certified Management Consultant) to qualified member applicants.

COMPANY INFORMATION

Name PURCHASING AND INVENTORY CONSULTANTS, INC.

Address Coles Road, Suite 2
Windsor, VT 05089-7609

Telephone 802-674-2620 (Voice)

Officers Mr. Francis Hurlbert, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994
	\$1-2M
Employees	12

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	Medium	Demand fluctuates
Design/Redesign purchasing systems	Medium to High	None
Select purchasing software	Not part of services	None
Supply own purchasing software	Not part of services	None
Install new systems and procedures	Not part of services	None
Operate purchasing systems	High	None
Operate parts or all of the purchasing function	High	None
Other	Medium for finding hard to source items	None

FUTURE BUSINESS INITIATIVES

- No new offerings planned

BUSINESS PROCESS MANAGEMENT

Current (including staff experience) • Company focus is the complete purchasing function for small firms and overflow purchasing for larger firms.

Potential • Main area for expansion is to bring in experienced and productive employees.

Fit with D&B • Good potential
• Lack of technical (software) focus not a limitation.

COMPANY INFORMATION

Name STRATEGIC RESOURCE INC.

Address 210 Carnegie Center
Princeton, NJ 08540

Telephone 609-520-6691 (Voice)
609-520-6677 (Fax)

Officers Steve Sussman, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994
	\$12-15M
Employees	3-11

PURCHASING FUNCTIONAL AND BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Re-engineer purchasing process	Medium	None
Design/Redesign purchasing systems	Medium	Becoming less of a focus, many companies already completed
Select purchasing software	High	None
Supply own purchasing software	Low	Becoming more of a focus, developing proprietary offering
Install new systems and procedures	Medium	None
Operate purchasing systems	Medium	Becoming more of a focus for specific segments (service sector, banking, insurance)
Operate parts or all of the purchasing function	Not part of services	None
Other		

FUTURE BUSINESS INITIATIVES

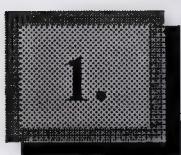
- Major focus of purchasing software and increasing "added value".

BUSINESS PROCESS MANAGEMENT

**Current
(including staff
experience)**

- Potential** • Planning an increased focus in specific markets (service sector, banking, insurance)

- Fit with D&B** • Only firm that claims decent revenues.



HR SUPPORT

HR SUPPORT SERVICES

<u>HR Activities</u>	<u>SERVICE COMPONENTS</u>									
	<u>Strat, Design</u>	<u>Train</u>	<u>Run</u>	<u>Employee Hotline</u>	<u>Software</u>	<u>Ident., Install</u>	<u>Main.</u>	<u>Database</u>	<u>Design, Install</u>	<u>Op</u>
Applicants, Recruiting	x	x	x	-	x	x		x	x	Resume Screening
Temp Employees	x	x	x	x	?	?		?	?	Supply
Outplacement	x	x	x	x	?	?	-	x	x	
Personnel Policies	x	x	?	x	-	-		x	x	
Position Classification, Control	x	x	x	-	x	x		x	x	
Employee Status Changes	-	x	x	x	x	x		x	x	Interfaces(1)
Benefits	x	x	x	x	x	x		x	x	Interfaces(2)
EEO	x	x	x	x	x	x		x	x	
Labor Negotiations	x	x	?	-	-	-		-	-	
Employee Skills	x	x	x	x	x	x		x	x	

Key

x = Potential third party support service

- = Usually not a significant activity

? = Role for third party unclear

(1) Interfaces to payroll function/systems

(2) Interfaces to benefit funds, benefit processing and payroll

HR SUPPORT SERVICES

HR Activities	SERVICE COMPONENTS						Software			Database		
	Strat, Design	Train	Run	Employee Hotline	Ident., Install	Main.	Design, Install	Op	Other			
Applicants, Recruiting	x	x	x	-	x	x	x	x	x	x	x	Resume Screening
Temp Employees	x	x	x	x	?	?	?	?	?	x	x	Supply
Outplacement	x	x	x	x	?	?	-	x	x			
Personnel Policies	x	x	?	x	-	-	x	x				
Position Classification, Control	x	x	x	-	x	x	x	x	x			
Employee Status Changes	-	x	x	x	x	x	x	x	x	x	x	Interfaces(1)
Benefits	x	x	x	x	x	x	x	x	x	x	x	Interfaces(2)
EEO	x	x	x	x	x	x	x	x	x	x	x	
Labor Negotiations	x	x	?	-	-	-	-	-	-	-	-	
Employee Skills	x	x	x	x	x	x	x	x	x	x	x	

Key

x = Potential third party support service

- = Usually not a significant activity

? = Role for third party unclear

(1) Interfaces to payroll function/systems

(2) Interfaces to benefit funds, benefit processing and payroll

HR SUPPORT SERVICES

HR Activities	SERVICE COMPONENTS						Software			Database		
	Strat, Design	Train	Run	Employee Hotline	Ident., Install	Main.	Design, Install	Op	Other	Design, Install	Op	Other
Applicants, Recruiting	x	x	x	-	x	x	x	x	x	Resume Screening		
Temp Employees	x	x	x	x	?	?	?	?	?	Supply		
Outplacement	x	x	x	x	?	?	-	x	x			
Personnel Policies	x	x	?	x	-	-	-	x	x			
Position Classification, Control	x	x	x	-	x	x	x	x	x			
Employee Status Changes	-	x	x	x	x	x	x	x	x	Interfaces(1)		
Benefits	x	x	x	x	x	x	x	x	x	Interfaces(2)		
EEO	x	x	x	x	x	x	x	x	x			
Labor Negotiations	x	x	?	-	-	-	-	-	-			
Employee Skills	x	x	x	x	x	x	x	x	x			

Key

x = Potential third party support service

- = Usually not a significant activity

? = Role for third party unclear

(1) Interfaces to payroll function/systems

(2) Interfaces to benefit funds, benefit processing and payroll

2.

INITIAL SCREENING OF MARKETING DATABASE COMPANIES

Appendix

Initial Screening of Marketing Database Companies

ACCELERATED INFORMATION

ACCOUNTING CONTROL TECHNOLOGIES INC.

ACCURATE MAILING SERVICES

ACCURATE MARKETING SYSTEMS

ACG-COMPUTECH DIRECT

ACS DIRECT MARKETING DATABASE SERVICES

ACXIOM/BSA

ACXIOM CORPORATION

ADC

ADPRESS INC.

ADVANCED AUTOMATION

ADVANCED CONCEPTS INC.

ADVANCED SOFTWARE APPLICATIONS

ADVERTISING DIST. OF AMERICA INC.

AFC COMPUTER SERVICES

AFFILIATED COMPUTER SERVICES INC. (ACS)

AIM DIRECT MARKETING SERVICES

AIRS INC.

ALKADE INC. DM SERVICES DIV.

ALLTEL

AMDAHL CORPORATION

Appendix (Con't)

Initial Screening of Marketing Database Companies

AMERICA ONLINE INC.

AMERICAN COMPUTER GROUP

AMTECH DATABASE MANAGEMENT INC.

ANCHOR COMPUTER INC.

ANCOR INC.

APPLIED COMPUTER CONCEPTS

AUTOMATED RESOURCES

AUTOMATED RESOURCES GROUP INC.

AUTOMATIC DATA PROCESSING

AUTOTOTE ESP

AVANTI DIRECT MARKETING

BESTINFO

BLUMENFIELD MARKETING INC.

BRADENTON DATA INC.

BROCK CONTROL SYSTEMS

BROWN RADMAN WOLPER

BUCKLEY DEMENT, L.P

BUFFALO DIRECT

CAD & GRAPHICS COMPUTERS

CALIDUS SYSTEMS INC.

CAMARK INTERNATIONAL INC.

Appendix (Con't)

Initial Screening of Marketing Database Companies

CAMBEY & WEST INC.

CAS MARKETING

COMPUTER SERVICES

CD TECHNOLOGY/MEDIALIVE

CENTURY DIRECT MARKETING INC.

CG MARKETING INC.

CIESIN

CMS INC.

COLINEAR SYSTEMS

COMMERCE REGISTER INC.

COMMERCIAL DATA CENTER

COMMERCIALWARE INC.

COMMUNICATION CONCEPTS INC.

COMMUNICATIONS DATA SERVICES INC.

COMPACT PUBLICATIONS INC.

COMPUCLASSICS

COMPUTER CONVERSIONS

COMPUTER SOLUTIONS INC.

COMPUTER STRATEGY COORDINATORS

COMPUTER WORLD DATABASE DIV.

COMPUTERIZED MARKETING TECHNOLOGY

Appendix (Con't)

Initial Screening of Marketing Database Companies

CONSUMER COMPUTER SERVICES INC.

CONTINENTAL DATA INC.

CONTROL DATA SYSTEMS

CONVERGENT SOLUTIONS INC.

COORDINATED SYSTEMS & SERVICES INC. (CSSC INC.)

ROBERT CORNWELL ASSOCIATES

CREATIVE AUTOMATION COMPANY

CREATIVE DISC. INC.

CREDIT INDEX

CRK COMPUTER SERVICES

CROSS COUNTRY COMPUTER CORPORATION

CROSS Z INTERNATIONAL

CTRAC COMPUTER SERVICES

CUSTOMER INSIGHT COMPANY INC.

CYBERDATA

D & D ASSOCIATES INC.

THE DATA BASE INC.

DATA DEX INC.

DATA DOCUMENTS

DATA ENTRY INTERNATIONAL

DATA EXPORT LTD. (MONTEGO BAY JAMAICA)

Appendix (Con't)

Initial Screening of Marketing Database Companies

DATA FOR DEVELOPMENT INC.

DATA MANAGEMENT INC.

DATA PREPARATION INC.

DATA PROCESSING ENTERPRISES

DATA SERVICES INC.

DATABASE AMERICA INFORMATION SYSTEMS

DATAMANN INC.

DATASYSTEM SOLUTION INC.

DEBT SERVICES LTD.

DEMOGRAPHIC RESEARCH CO.

DICKINSON INC.

DIRECT DATA CAPTURE LTD.

DIRECT LIST TECHNOLOGY INC.

DIRECT MAIL SOURCE

DIRECT MARKETING AUDIT SYSTEMS

DIRECT MARKETING COMPUTER PROCESSING GROUP

DIRECT MARKETING COMPUTER SERVICES INC.

DIRECT MARKETING TECHNOLOGY INC.

DIRECT RESPONSE MARKETING

DIRECTTECH INC.

DOMINION DATA PROCESSING INC.

Appendix (Con't)

Initial Screening of Marketing Database Companies

DP CORPORATE SERVICES INC.

DYDACOMP DEVELOPMENT CORPORATION

DYMACOL CORPORATION

DYNAMARK INC.

DYNAMIC MARKETING SERVICES INC.

DYNATRON INC.

EASTERN MAIL END DATA

EL NUEVO DTA

ELCOM SYSTEMS INC.

ENERTEX MARKETING

EPSILON

ESA DIRECT MARKETING

ETC DATA SERVICES INC.

FDC INC.

FIFTH GENERATION SYSTEMS INC.

RICHARD L FLEISCHER & ASSOCIATES INC.

FULLER CONSULTING

GENET DIRECT MARKETING SERVICES INC.

GATES MARKETING

GGW

GREAT LAKES FULFULLMENT

YNDB1

Appendix (Con't)

Initial Screening of Marketing Database Companies

GROUP 1 SOFTWARE INC.

HART MARKETING

HARTLEY DATA SERVICES INC.

THE HAVEN CORPORATION

HOOPER HOLMES DIRECT MARKETING SERVICES

HYAID GROUP

I. C. SYSTEMS INC, COMPUTER SERVICES DIVISION

IMPRESSIONS UNLIMITED INC.

IN-TOUCH INC.

INFOBASE SERVICES

INFORMATION SOURCES INC.

INFORMATION SYSTEMS EXPERTS

THE INKPEN

INNOVATIVE SYSTEMS INC.

INPUT SYSTEMS INC.

INTEGRATED DATABASE TECHNOLOGIES

INTEGRATED HEALTH SYSTEMS INC.

INTELLIGENT MARKETING SYSTEMS INC.

INTERACTIVE MARKETING SERVICES INC.

INTERLEAF INC.

ISA DIRECT INC.

YNDB1

Appendix (Con't)

Initial Screening of Marketing Database Companies

SI DATA SERVICE INC.

JCI DATA PROCESSING INC.

JKS DATA PROCESSING INC.

KABLE FULFILLMENT SERVICES

KCMS A KIPLINGER COMPANY

KING COMPUTER SERVICES

KJ CONSULTANTS

KRAGIE/NEWELL INC.

LCS INDUSTRIES INC.

LEADTRACK

LEGENT CORPORATION

THE LETTERFACTORY

D A LEWIS ASSOCIATES INC.

LEWIS SYSTEMS INC.

LINDEN COMPUTER SERVICES

LINKON CORPORATION

LISSAN COMPUTING COMPANY INC.

LIST MARK

LISTLAB

LISTMARK COMPUTER

LISTPERFECT INC.

Appendix (Con't)

Initial Screening of Marketing Database Companies

LMC

LOGICNOLOGY INC.

LOOKING GLASS

LPC

MAGI DIRECT INC.

MAIL ADVERTISING SUPPLY COMPANY INC.

MAIL ORDER SYSTEMS INC.

MAILER SOFTWARE

MAILING LIST SYSTEMS CORPORATION

MARCO DATA SERVICE

MARKET FOCUS DISTRIBUTION SERVICES INC.

MARKET KNOWLEDGE INC.

MARKET SOLUTIONS INC.

MARKETING COMMUNICATIONS SYSTEMS INC.

MARKETING INFORMATION NETWORK

MARKETING INFORMATION SYSTEMS

MARKETING INFORMATION TECHNOLOGIES INC.

MARKETING SOFTWARE CONSULTANTS

MARKETPLACE INFORMATION CORPORATION

MARKETPULSE

MARKETSMART INC.

Appendix (Con't)

Initial Screening of Marketing Database Companies

MAY & SPEECH DIRECT MARKETING SERVICES

MBS/MULTIMODE INC.

MCRB FULFILLMENT

MDS (A MEMBER OF CCN GROUP)

MERGE PURGE CORPORATION

MERKLE COMPUTER SYSTEMS

METRO SELIGER INDUSTRIES INC. (MSI)

METROPOLITAN DATA SERVICES GROUP INC.

MICOM COMMUNICATIONS CORPORATION

MICROSOFT CORPORATION

MID-AMERICA MAILERS INC.

MMI

MNEMOTECH DIRECT

MS DATA SERVICE CORPORATION

MULTIFILL SERVICES

MYRIAD SYSTEMS INC.

NASHBAR/ASSOCIATES INC.

NATIONAL DATA SCANNING

NATIONAL FULFILLMENT SERVICES

NEODATA DATA BASE MARKETING SERVICE

NEODATA SERVICES INC.

Appendix (Con't)

Initial Screening of Marketing Database Companies

NETCOM INTERNATIONAL INC.

NEXTSTEP MARKETING INC.

NOMADIC SYSTEMS INC.

NORTH-SOUTH CENTER

NOT JUST COMPUTERS

OKRA MARKETING CORPORATION

OMIN INDUSTRY

ON TARGET MARKETING INFORMATION

PAGE DIGITAL

PALM COAST DATA LTD.

PARAGON DIRECT

PARAGON PUBLISHING SYSTEMS

PARITY SYSTEMS CORPORATION

PEAK COMPUTER SYSTEMS

PHOENIX DATA PROCESSING

PHOENIX SYSTEMS ASSOCIATES

PHOENIX TECHNOLOGIES

PMSI

POWERTRAIN INC.

PPS MEDICAL MARKETING GROUP INC.

PRAIRIE SYSTEMS INFORMATION SERVICES

Appendix (Con't)

Initial Screening of Marketing Database Companies

PRC INC.

PRECISION PERFORMANCE INC.

PRIMENET DATASYSTEMS

PRINTRONIC CORPORATION OF AMERICA INC.

PRIORITY DATA SYSTEMS INC.

RUF CORPORATION

SANTECH GROUP

SATURN CORPORATION

SCHAEFER SOFTWARE DEVELOPMENT

SCICOM DATA SERVICES LTD.

SCOTT COMPUTING SYSTEMS

SCS/COMPUTE

SIGMA MICRO CORPORATION

SISK FULFILLMENT SERVICES INC.

BOB SKIDELL ENTERPRISES INC.

SMS

TOM SNYDER PRODUCTIONS

SOFTWARE MARKETING ASSOCIATES INC.

SOFTWARE OF THE MONTH CLUB

SOMAR INC.

SOURCE DATA SYSTEMS INC.

SPEEDATA LTD.

YNDB1

Appendix (Con't)

Initial Screening of Marketing Database Companies

SPRINT INTEGRATED MARKETING SERVICES

SST COMPUTER SYSTEMS

STANDARD DATA-PREP INC.

STARBOARD DATA SERVICES INC.

STERLING SOFTWARE MARKET

STOCKTON INC.

SUNDANCE DATA GROUP INC.

SUNGARD DATA SYSTEMS INC.

SUPER DISK

TABS DIRECT

T&B COMPUTING

TELA

TELECOM SUPPORT SYSTEMS

TELEFILE INC.

3COM CORPORATION

TIMEWORKS INC.

TOUCH-BASE COMPUTING

TRIPLEX DIRECT MARKETING CORPORATION

TRW TARGET MARKETING SERVICES

TYPE-A-SCAN INC.

UNIVERSAL COMPUTER FORMS INC.

Appendix (Con't)

Initial Screening of Marketing Database Companies

VOICE FX CORPORATION

VOLT DELTA RESOURCES

WATTS TELEMARKETING LTD.

WESTERN DIGITAL CORPORATION

HUGH WILSON & ASSOCIATES

EDWARD J WOOD & ASSOCIATES INC.

WORLCO DATA SYSTEMS/JCI

WPL ASSOCIATES INC.

WYATT DATA SERVICES

ZIRCON COMPANY INC.

3.

PROFILES OF OTHER MARKETING DATABASE COMPANIES

COMPANY INFORMATION

Name MARKET KNOWLEDGE, INC.

Address 747 East 22nd Street
Lombard, IL 60148

Telephone 708-629-8200 (Voice)
708-629-2258 (Fax)

BUSINESS CHARACTERISTICS

Revenue	1994	1993	1992	1991
	\$4.6M	\$4.2M	\$4.1M	\$3.9M

Business from Data 100%

- Management (%)**
- Software products on a standalone basis or as a desktop solution are the chief component of the business. The focus is on managing large data sets, whatever they might be.
 - Vendor does offer a consulting service where the work is done at the vendor site or at the client site (facilities management). This is recommended only when analyses are infrequent.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
		<ul style="list-style-type: none">• Most clients purchase software products under license. The software costs \$50,000-100,000.	<ul style="list-style-type: none">• A small number of clients (perhaps up to 10%) start with the vendor on a services-basis with Market Knowledge running the software on the vendor's machine. The goal is always to move the client to their own dedicated system.	



Vertical Specialization	Markets	Offerings
	<ul style="list-style-type: none"> • Key markets have been banking and financial institutions (especially credit card companies). • Vendor has had experience with, Fortune 1000 companies, representing a number of industries. • Other segments include: packaged goods telecommunications, airlines, insurance, and retailing. 	<ul style="list-style-type: none"> • Vendor offers software for analysis and modeling of lists. The software predicts highly responsive prospects and customers for acquisition, cross-selling, retention, and attrition programs. These functions are available in a modular format, allowing customers to tailor the software to their needs.

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	10%	<ul style="list-style-type: none"> • See project work above.
Merge/Purge		
Enhanced List Creation	80%	<ul style="list-style-type: none"> • Vendor offers analysis and information management services. For example, Xprt, an expert system, is used top extract from large "suspect" lists those prospects most likely to generate activity. (First Card, a unit of First National Bank of Chicago, uses this product to identify better targets of promotions.) • Xprt includes all the data management functions (data loading, reporting, selection, management). • Products interface with other 3rd party tools, but Market Knowledge does little in-house marketing support other than on a project basis to get product clients started.
Custom Database Creation		

Outsourcing 10%

- Vendor provides facilities management of vendor's software on customer's equipment, generally at customer's site.

OTHER FACTORS

Technology Advantages

- Software products are client-server based. They believe this technology drives the break-even down to the 300,000 record range, from several million record files required in centralized systems.
- Vendor claims improvements in response activity of up to 35% from the use of Xprt.
- Xprt allows for modular growth to statistics, natural language executive support systems, and application modules (acquisition, lifecycle, financial management).
- Xprt handles unlimited volumes and data sources, mastering all aspects from construction to maintenance to selection.
- Xprt can be used down to the individual level, allowing a marketing manager, for example, to dip into the corporate database without assistance.
- Xprt is based on neural networks, but includes expert technology as a hybrid approach to both data relationships (neural network aspects) and examining and acting on data (expert system aspect).

Consulting/Advisory Services

- Services are provided but generally only in support of software customers or prospects.

New Offerings Planned

- Refinement of existing product.

Business/Technical Partnerships

- No relationships were identified by the vendor.

OVERALL ASSESSMENT

- Very technically competent.
- Possibly too technical for the market.
- Market Knowledge's performance and reception shows that a better product mousetrap is not sufficient for success.
- This market needs services, not products.
- Interesting potential for link-up to a service-oriented player with technical distinction (e.g., Creative Automation).

COMPANY INFORMATION

Name MERKLE COMPUTER SYSTEMS, INC.

Address 5200 Philadelphia Way
Lanham, MD 20706-4492

Telephone 301-459-9700 (Voice) 301-459-8431 (Fax)

BUSINESS CHARACTERISTICS

	Revenue	1994	1993
		\$6.7M (est.)	\$6M

- Business from Data Management (%)**
- 70%
 - Merkle provides data processing and database management to direct marketers.

- Description of Other Businesses**
- 30%
 - Personalization services such as continuous laser printing.
 - Data processing (database/file preparation, data entry, and report generation) and applications software programming, usually in conjunction with database marketing.

- Rationale of Other Businesses**
- As a part of their full-service positioning Merkle provides a letter shop service to create and mail the promotion piece to the targets developed by their data management services.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
		<ul style="list-style-type: none">• Merkle has developed relationships with membership organizations that result in long-term activities such as maintaining donor, dues, and subscription lists.	<ul style="list-style-type: none">• Many projects done in the letter shop are project-type.	

Vertical Specialization	Markets	Offerings
	<ul style="list-style-type: none"> • Membership organizations (labor unions, associations, institutes, foundations, political action committees) comprise the bulk of Merkle market. • Other segments include advertising firms and various businesses and organizations doing direct mail. 	<ul style="list-style-type: none"> • Merkle provides membership organization services including membership and mailing list management, carrier route and five-digit presort, and merge/purge..

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/Competitive Advantage
List Management	85%	<ul style="list-style-type: none"> • A key component of this work involves list hygiene activities such as ZIP codes, NCOA, domestic/consumer sort, and postal presort.
Merge/Purge	15%	
Enhanced List Creation		
Custom Database Creation		
Outsourcing		

OTHER FACTORS

Technology Advantages	None
Consulting/Advisory Services	None
New Offerings	None planned Planned

Business/Technical Partnerships

OVERALL ASSESSMENT

- Merkle is a representative higher level service bureau for direct marketers.
- They have built up a specific niche in membership organizations.
- Their use of technology is competent but routine.
- Merkle might be considered if the role of marketing database technology within the venture were secondary/supportive to other services.

COMPANY INFORMATION

Name STRATEGIC MARKETING SYSTEMS

Address 300 Oakwood Lane
Hollywood, FL 33020

Telephone 305-920-5400 (Voice)
305-920-5442 (Fax)

BUSINESS CHARACTERISTICS

Revenue	1994	1993
	\$4.7M (est.)	\$4M (est.)

- Business from Data Management (%)**
- 90%
 - This includes data entry, cleaning (e.g., merge/purge, NCOA) and list manipulation.
- Description of Other Businesses**
- 10%
 - SMS provides other services that are required by direct marketers such as creative, telemarketing (20 stations), laser-personalized production, mailing, and fulfillment
- Rationale of Other Businesses**
- SMS provides these services to position themselves as a full-service vendor to their direct marketing clients.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
			<ul style="list-style-type: none">• Most of the work for this shop is done on a project basis.	

Vertical Specialization	Markets	Offerings
	<ul style="list-style-type: none">• No verticals, mostly cross-industry direct marketers.	<ul style="list-style-type: none">• Offerings are standard for database marketing vendors. They do have creative, data entry, and laser personalization capabilities.

DATA MANAGEMENT BUSINESS

	Approximate Percent of Revenue	Description/ Competitive Advantage
List Management	50%	<ul style="list-style-type: none">With many one-shot campaigns at the core of their business, vendor has limited involvement in longer-term list management.
Merge/Purge	50%	<ul style="list-style-type: none">Much of SMS' business involves merge/purge of acquired lists on a one-time basis. They have no proprietary tools for doing this function.
Enhanced List Creation	0%	
Custom Database Creation	0%	
Outsourcing	0%	

OTHER FACTORS

Technology Advantages	<ul style="list-style-type: none">No significant technology; a "typical" direct mail shop.
Consulting/Advisory Services	<ul style="list-style-type: none">None offered
New Offerings Planned	<ul style="list-style-type: none">Vendor plans to add a fulfillment capability in the next six months.
Business/Technical Partnerships	<ul style="list-style-type: none">None mentioned

OVERALL ASSESSMENT

- SMS' core is a "direct mail shop"--standard functions, capabilities and tools.
- SMS provides diverse services, mirroring the scope targeted by D&B.
- SMS does probably not have the critical mass in any of its functional areas to have particular advantages.

October 1994

May & Speh

Chairman: **Albert J. Speh**
President: **Lawrence Speh**
1501 Opus Place
Downers Grove, IL 60515-5713
Phone: **(708) 964-1501**
Fax: **(708) 719-0447**

Status:	Private
Employees:	280
Revenue:	\$ 50,000,000*
Fiscal Year End:	9/30/94

* Company estimate

Key Points

- May & Speh is a direct marketing services and processing/outsourcing firm originally established in 1947.
- Recent applications added to the network include:
 - Credit Card Information System
 - Retail Credit Information System
 - Customer Profile Analysis

- Proximity Assignment Selection System
- During 1992, Lawrence Speh was appointed president of the company.

Company Description

May & Speh provides data processing computer outsourcing services in support of direct mail marketing, systems operations and associated support services to clients across industries.

Structure and Operations

May & Speh offers its information management services through two divisions—Direct Marketing Services and Systems Management & Integration.

In addition Chairman Albert Speh and President Lawrence Speh, other May & Speh officers include:

- Terry Cieslak—President, Systems Management & Integration
- Michael Loffler—Senior Vice President, Direct Marketing Services
- Robert Early—Director, Corporate Development
- Kenneth Hachikian—Vice President

Financials

It is estimated that May & Speh's fiscal 1994 revenue was \$50 million, a 19% increase over 1993 revenue of approximately \$42 million.

Approximately 50% of revenue is derived from processing and associated support services for direct marketing applications and 50% from systems operations (outsourcing) and utility processing services.

Industry Markets

May & Speh has outsourcing clients in various industries including telecommunications, manufacturing, finance, business services, insurance, retail, engineering and restaurant management.

Geographic Markets

One hundred percent of May & Speh's revenue is derived from the U.S.

May & Speh has one facility located in Downers Grove (IL).

Key Products and Services

May & Speh's systems operations and utility processing services are supported by its \$60 million data center in Downers Grove.

- The center houses a Hitachi Data Systems' GX system, as well as IBM RS/6000 and Prime midrange systems.
- More than 120 software programs are available, including DB2 and IDMS-R database management systems; various fourth-generation languages; report writers; data utilities; data library managers; various programming managers; statistical and graphics packages; and packages for a range of user applications, including marketing, manufacturing, retail, medical and financial.

- May & Speh operates an X.25 telecommunications network supplying clients with remote access from virtually any U.S. location via a local phone call. The data center is configured to support more than 800 telecommunications circuits.
- Data Center Help Desk, technical staff support, installation, migration, data conversion and training services are also available.

May & Speh Direct offers the following direct marketing services:

- Direct Mail Services offers personalized printing and labeling, National Change of Address (NCOA), Delivery Sequence File (DSF), NCOA (NIXIE), merge/purge, Zip Code correction and validation, postal presorting and qualification and Zip+4 addition.
- Database Marketing Services offers support for developing and implementing custom database solutions on all platforms, including DB2, IDMS-R, PC and workstations.
- Data Enhancement Services provides a detailed profile of the customers' or

prospects' lifestyle characteristics through a large library of compiled data.

- Modeling and Analysis Services aid customers in targeting unique segments, identifying new markets, communicating more effectively and increasing sales to current customers.
- May & Speh is currently providing direct marketing services to more than 500 clients in various industries.

Other services provided by May & Speh include custom software development, volume high-speed printing and data entry.

Marketing and Sales

May & Speh markets its services through a direct sales force.

Competitors

In the direct marketing area, competitors include Epsilon, Donnelley Marketing and Acxiom.

Outsourcing competitors include Genix, EDS, Martin Marietta, Litton Computer Services, Affiliated Computer Services (ACS) and IBM.

CHARACTERISTICS OF OUTSOURCING BUSINESSES:
MAY & SPEH VS. ACXIOM

<u>CHARACTERISTIC</u>	<u>MAY & SPEH</u>	<u>ACXIOM</u>
Description of Business	Computer Operations	Business Operations
Level of Technical Capabilities	Medium	Medium/High
Importance of Business Content	Low	High
Leverage with "Other Side" of Business (Database Management)	Little	True Synergy
Organization Position of Clients/Prospects	Operations ("Back Room")	Functional/Senior Management
Typical Contract Length	1-2 Years	5-10 Years
Financial Leverage	Medium	High
Business Risk	Low (Many, Small Jobs)	High (Few, Large Jobs)
Value-Added	Low	Medium-High (Customized)
Level of Differentiation	Low	Medium*
Level of Competition for Targeted Services	High	Medium

* Rating reduced due to horizontal nature of the Trans Union credit processing support contract.

4.

INITIAL SCREENING OF CUSTOMER SERVICE\LEAD GENERATION COMPANIES

Appendix

Initial Screening of Customer Service/Lead Generation Companies

900 CALL ASSOCIATION
ACI TELEMARKETING
ACTEL MARKETING
ADRIAN MILLER DIRECT MARKETING
ADVANCE TELEMARKETING
ADVANCED DATA-COMM INC.
ADVANCED TELECOM SERVICES INC.
ADVANCED TELEMARKETING CORP.
ALERT COMMUNICATIONS
AMERICALL CORPORATION
AMERICAN BUSINESS INFORMATION INC.
AMERICAN SERVICE TELEMARKETING
AMERICAN TELE/RESPONSE INC.
AMERICAN TELEMARKETING SPECIALISTS INC.
AMERICAN TELEPHONE MARKETING GROUP INC.
AMERPHONE INC.
AMERITECH AUDIOTEX SERVICE INC.
AMRES TELEMARKETING INC.
ANSWER AMERICA
APAC TELESERVICES
ARROWHEAD PROMOTION & FULFILLMENT
AT&T AMERICAN TRANSTECH
AT&T LANGUAGE LINE SERVICES
AURORA MARKETING INC.
AUTOMATED CALL PROCESSING CORPORATION
BLUE CROSS/BLUE SHIELD OF MASSACHUSETTS
BLUE VALLEY TELEMARKETING INC.
BRITCOM TELEMARKETING
BUCKLEY DEMENT LP
BUDET MARKETING INC./KKR CORPORATION



Appendix (Con't)**Initial Screening of Customer Service/Lead Generation Companies**

BUSINESS RESOURCES PLUS

BUSINESS TO BUSINESS TELEDIRECT MARKETING SOLUTIONS INC.

CALL CENTER SERVICES

CAS MARKETING

CBB INC.

CENTRAC INC.

CENTURY TELECOMMUNICATIONS INC.

CHAMPION CONSULTANTS

CHERRY COMMUNICATIONS

CIRCULATION BY PHONE INC.

CITIBANK TELEMARKETING SERVICES

CMC

CMI INTERACTIVE DIRECT

COLWELL & SALMON COMMUNICATIONS INC.

COMERICA BANK

COMMUNICALL DIRECT REPONSE GROUP INC.

CONSOLIDATED TELEMARKETING OF AMERICA

CONTACT TELEMARKETING

CONVERSATIONAL VOICE TECHNOLOGIES CORPORATION

COX & COX MARKETING INC.

CPM RESEARCG, EAST, INC.

CRC INFORMATION SERVICES INC.

CSS DIRECT

CTC TELESERVICES INC.

EDWARD BLANK ASSOCIATES

FUTURECALL TLECMARKETING INC.

GANNETT TELEMARKETING INC.

GLS TELESERVICES

GREAT LAKES COMMUNICATIONS INC.



Appendix (Con't)**Initial Screening of Customer Service/Lead Generation Companies**

GREENSTONE PRODUCTIONS
GTE TELEPHONE OPERATIONS
HAMILTON TELECOMMUNICATIONS
HENRY M GREENE & ASSOCIATES INC.
HMS MARKETING
ICT GROUP
INDUSTRIAL TELEMARKETING ASSOCIATES
INFOCISION MANAGEMENT CORPORATION
INFORMATION MANAGEMENT ASSOCIATES INC.
INTEL CORPORATION
INTER-MEDIA MARKETING
INTERACTIVE TELEMEDIA SERVICES CORPORATION
INTERNATIONAL, 800 TELECOM INC.
INTERNATIONAL TELESYSTEMS
INTERSTATE TELE-MARKETING INC.
ITI MARKETING SERVICES INC.
JC PENNEY TELEMARKETING INC.
JOEL LINCHITZ CONSULTING SERVICES/PHONE FOR SUCCUESS
JOSEPH CHARLES & ASSOCIATES
JOURNAL TELEMARKETING
KING TELESERVICES
LEJEUNE ASSOCIATES
LINT TO SUCCESS INC.
LIZ KISLIK ASSOCIATES
LUCAS & ASSOCIATES
MARKET DIRECT AMERICA
MARKET MOTIVATORS INC.
MARKET MOTIVATORS INC.
MARKET SUPPORT INTERNATIONAL

Appendix (Con't)**Initial Screening of Customer Service/Lead Generation Companies**

MARKET USA INC.

MARKET VISION INC.

MARKETEERS

MARKETING CONNECTIONS CORPORATION

MARKETING SERVICES

MATRIXX MARKETING

MCI CONSUMER MARKETS INC.

MCI TELECOMMUNICATIONS CONSUMER MARKETS

MIDWEST PUBLISHING INC.

MILFORD MARKETING

MKS MARKETING INC.

NATIONAL SYSTEMS CORPORATION

NEODATA CORPORATION

NETWORK DIRECT INC.

OETTING & CO. INC.

OLIVER MARKETING SERVICES

OMINI CAPITAL CORPORATION

OUR DATA WORKS INC.

OUTREACH AFFILIATES

PERSON TO PERSON MARKETING

PHONE BANK SYSTEMS INC.

PHONE BASE SYSTEMS INC.

PHONE POWER INC.

PRAIRIE SYSTEMS INFORMATION SERVICES

PRIMETIME TELEMARKETING

PRO TEL MARKETING INC.

PROMARKE ONE

PROXY MESSAGE CENTER INC.

PSI TELEMARKETING

Appendix (Con't)**Initial Screening of Customer Service/Lead Generation Companies**

PTM COMMUNICATIONS INC.
PUBLIC INTEREST COMMUNICATIONS INC.
QUALITY TELEMARKETING INC.
QUESTNET TELECOMMUNICATIONS
REED TELEMARKETING
RENEW INTERACTIVE MARKETING SERVICES INC.
RMH TELEMARKETING
ROI MARKETING INC.
RUPPMAN MARKETING TECHNOLOGIES
S&P DATA
SAC TELEMARKETING INC.
SIDEX CORPORATION
SIGNATURE TELEMARKETING
SITEL CORPORATION
SKIDMORE=ROTH MARKETING SERVICES INC.
SMARTLINE SYSTEMS
SPECTRUM COMMUNICATIONS
SPEECHSOFT INC.
SPRINT INTEGRATED
SPRINT TELEMEDIA
STURNER & KLEIN
TCI MARKETING INC.
TCI TELEMARKETING
TECHNOLOGY MARKETING CORPORATION
TELE BUSINESS USA
TELE-K MARKETING SERVICES INC.
TELECENTER ONE CALL SYSTEMS INC.
TELEDATA INTERNATIONAL
TELEDIRECT INTERNATIONAL INC.

Appendix (Con't)**Initial Screening of Customer Service/Lead Generation Companies**

TELEMARKETING CONCEPTS INC.
TELEMARKETING INC.
TELEMARKETING LEARNIGN CENTER
TELEMARKETING OF AMERICA INC.
TELEMARKETING SYSTEMS INC.
TELEMATCH
TELENATIONAL MARKETING
TELEPHONE ACCESS INC. (TELAC)
TELEPHONE COMMUNICATIONS CANADA LTD.
TELEPHONE LOOK-UP SERVICE CO. INC.
TELEQUEST
TELESERVICE RESOURCES
TELESPECTRUM INC.
TELESYSTEMS MARKETING INC.
TELETECH
TELNET SYSTEMS INC.
THE CHARLTON GROUP INC.
THE CONNECT CORPORATION
THE MARTEL GROUP
THE POWER LINE
THE PRODUCT LINE INC.
THE TELECENTER
THE TELEMARKETING CO.
TIMES JOURNAL CO.
TMR/TELECOMMUNICATIONS MARKETING RESOURCE LTD.
TRANS AMERICA MARKETING SERVICES INC.
UNIBASE DIRECT INC.
UNIVISA TELEMARKETING GROUP
US FULFILLMENT SERVICES INC.

Appendix (Con't)**Initial Screening of Customer Service/Lead Generation Companies**

US TELEMARKETING INC.

USA/DIRECT

WEST TELEMARKETING CORPORATION

WEST TELEMARKETING OUTBOUND

WORLD BOOK TELEMARKETING

ZACSON CORPORATION

5.

PROFILES OF OTHER CUSTOMER SERVICE/LEAD GENERATION COMPANIES

COMPANY INFORMATION

Name MATRIXX MARKETING INC.

Address 201 East Fourth Street
Cincinnati, OH 45202

Telephone 800-628-7499

Officers

BUSINESS CHARACTERISTICS

Revenue	1994
	\$230M

- | | |
|----------------------------------|--|
| Description of Businesses | <ul style="list-style-type: none">Offerings include consumer inbound and outbound telemarketing, customized sale, service, and fulfillment and U.S. and European market research. |
| Revenue Characteristics | <ul style="list-style-type: none">Customer service/Helpdesk - inbound 15% of revenue, outbound 10% of revenueOther services - inbound 55% of revenue, outbound 20% of revenue |

VERTICAL MARKET SPECIALIZATION

- | | |
|--|---|
| Markets | Offerings |
| <ul style="list-style-type: none">Consumer industryBusiness to Business | <ul style="list-style-type: none">Inbound and outbound telemarketing, order processing/fulfillment and helpdesk services .Sales support, lead generation, fulfillment, product recall and market research services |

BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Customer Service	High	None
Lead Generation	High	None
Direct Response (Inbound)	High	None
Outbound	High	None
Other	High for market research and help desk services	More emphasis on market research capabilities.

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none"> • Call center fully automated with on-line electronic bulletin boards, helpdesk databases and lettershop facilities 	<ul style="list-style-type: none"> • Enhanced on-screen script facilities, bulletin boards and helpdesk databases 	<ul style="list-style-type: none"> • Data capture and market research capabilities

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none"> • Full range of consulting services to plan and support projects
Integrated Marketing Campaigns	<ul style="list-style-type: none"> • Full range of services to target market, plan campaign, provide fulfillment, customer satisfaction and research on the success of the campaign.
Other Areas	

OVERALL ASSESSMENT

COMPANY INFORMATION

Name THE VANTIVE CORPORATION

Address 1890 N.Shoreline Blvd.
Mountain View, CA 94043

Telephone 415-691-1500 (Voice)
415-691-1515 (Fax)

Officers John Luongo, Pres.

BUSINESS CHARACTERISTICS

Revenue 1994
\$10M

Description of Business • Custom telemarketing and customer service software (Ole), with client/server and automatic call distribution capabilities

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
		• 100% of revenue is based on long-term client relationships		

Vertical Market Specialization	Markets	Offerings
	• Provides services to all vertical markets	• Fully integrated customer interactive inbound/outbound telemarketing and customer services software.

BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Customer Service	High	None
Lead Generation	High	None
Direct Response (Inbound)	High for ongoing services, low for single campaigns	None
Outbound	High	None
Other	High for software delivery	None

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none"> Client/server, with automatic call distribution and CTI replication 	<ul style="list-style-type: none"> Imaging and work flow capabilities for the software 	<ul style="list-style-type: none"> Unique three-tier architecture, with flexible number of concurrent users (from 10 to 1500)

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none"> Provide consulting, project management, customization, rapid prototyping and implementation of software.
Integrated Marketing Campaigns	<ul style="list-style-type: none"> Not involved in this area
Other Areas	

OVERALL ASSESSMENT

- Focus is on long term relationships
- Trying to build relationships with Big 6 firms.

COMPANY INFORMATION

Name THE PRODUCT LINE

Address 2370 S.Trenton Way
Denver, CO 80231

Telephone 303-671-8000 (Voice)

Officers Richard Sims, Pres.
Thomas L. Farrell, Sales Mgr.

BUSINESS CHARACTERISTICS

Revenue	1994
	\$4M(est.)

Description of Businesses • The Product Line provides specialized high tech computer surveys for CMP Publications.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	• They do not require long-term contracts, most convert to long-term contracts.	• Focus is on long term relationships, 75% of revenue.	• Done in support of clients, 25% of revenue.	• Project work/ consulting done as part of building relationships

VERTICAL MARKET SPECIALIZATION

Markets	Offerings
<ul style="list-style-type: none"> • Catalog, travel & tourism, financial, and consumer goods markets are the main focus • High tech computer / software and telecomm industries are secondary markets. 	<ul style="list-style-type: none"> • In-bound and out-bound telemarketing, — turnkey order processing/fulfillment/storage of products.

BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Customer Service	High	None
Lead Generation	High	None
Direct Response (Inbound)	High for single campaign and ongoing services	None
Outbound	High	None
Other	High for order processing and fulfillment	They do not see any planned change in their business mix, but they are always looking for new areas of involvement.

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none">The Product Line considers themselves to be on cutting edge of automatic call distribution and data base management technology.	<ul style="list-style-type: none">Recently purchased an interactive voice system. Made commitments to data base storage technology and new advancements in predictive dialing for commercial clients.	<ul style="list-style-type: none">Design custom software for each client/job, very proactive in staying on the leading edge of technology in support of client base.

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none">Provide consulting services in support of clients to assist them to increase efficiency and effectiveness. This is a growing part of their business. Clients are looking for cost saving through efficiencies.
Integrated Marketing Campaigns	<ul style="list-style-type: none">Full service provider in the design and implementation of integrated marketing campaigns. Services provided include: strategy development, targeted prospect data base construction, implementation of the campaign and response servicing.
Other Areas	<ul style="list-style-type: none">Additional value for integrated marketing campaigns and telemarketing, through the ongoing use of their Quality Assurance department, which provides double monitoring of agents.

OVERALL ASSESSMENT

- Very good in technology; may actually provide a competitive edge (but technology usually short shelf in this business).
- Interesting as a potential D&B vehicle.

COMPANY INFORMATION

Name DIRECT MARKETING SOLUTIONS

Address 1401 Peachtree St. NE
Atlanta, GA 30309

Telephone 404-870-4500 (Voice)
404-874-3723 (Fax)

Officers James Borum, Pres.

BUSINESS CHARACTERISTICS

Revenue	1994
	\$2.2M

Description of Businesses • Provides telemarketing and targeted prospect data base services. Some telemarketing and direct market consulting services provided to support clients.

Revenue Characteristics	Long-Term Contracts	Long-Term Relationships	Project Work	Other
	• 80% of revenue	•	• 15% of revenue	• 5% - for 1-800- FLOWERS and others

VERTICAL MARKET SPECIALIZATION

Markets	Offerings
<ul style="list-style-type: none"> • Financial, software, services and advertising are the main focus. 	<ul style="list-style-type: none"> • Targeted prospect profiles, predictive market segmentation, data manipulation, telemarketing, response servicing

BUSINESS CAPABILITIES

Area	Relative Importance	Change Expected
Customer Service	High	None
Lead Generation	High	None
Direct Response (Inbound)	High for single campaign and ongoing service	<ul style="list-style-type: none"> • Expected to grow to greater importance as it becomes 50% of business
Outbound	High	<ul style="list-style-type: none"> • Currently running 75% outbound / 25% inbound - moving to a 50/50 split
Other	High for toll-free response business to business research surveys	

USE OF TECHNOLOGY

Currently in use	Future Directions	Unique or proprietary capabilities
<ul style="list-style-type: none">• Automatic call distribution, data base management, data manipulation, predictive market segmentation, dialer and power media measurements	<ul style="list-style-type: none">• May be adding IVR response measurement and interactive voice response	<ul style="list-style-type: none">• Direct Marketing Solutions considers themselves to be in the top 10% of industry predictive software. Software is "tried and true".

VALUE-ADDED SERVICES

Consulting/Advisory Services	<ul style="list-style-type: none">• Consulting provided to Telemarketing and Direct Marketing departments, not a growing service area, but ancillary to their main business.
Integrated Marketing Campaigns	<ul style="list-style-type: none">• Provide targeted prospect profiles, implementation of telemarketing campaigns and response services.
Other Areas	<ul style="list-style-type: none">• Customer service support activities are seen as growing in the near future.

OVERALL ASSESSMENT

- Try to do a lot; doubtful if critical mass to do it all well.
- Example of a firm that hasn't broken through the size barriers and would be receptive to a corporate parent.

The image shows a large, dense grid of characters (numbers and letters) arranged in a diagonal orientation from the bottom-left to the top-right. The characters are in a black sans-serif font on a white background. At the very top left, the words "Acxiom Corporation 1994 Annual Report" are printed in a smaller, standard font. The main body of the image is filled with the repeating pattern of characters.

E 5 F 6 G 7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 0 U 1 V 2 W 3 X 4
X 8 Y 9 Z 0 A 1 B 2 C 3 D 4 E 5 F 6 G 7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R
Z 0 A 1 B 2 C 3 D 4 E 5 F 6 G 7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T
8 Y 9 Z 0 A 1 B 2 C 3 D 4 E 5 F 6 G 7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8
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S 9 T 0 U 1 V 2 W 3 X 4 Y 5 Z 6 A 7 B 8 C 9 D 0 E 1 F 2 G 3 H 4 I 5 J 6 K 7 L 3
F 6 G 7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 0 U 1 V 2 W 3 X 4 M 3 N
N 4 0 5 T 0 U 1 V 2 W 3 X 4 Y 5 Z 6 A 7 B 8 C 9 D 0 E 1 F 2 G 3 H 4 I 5 X 4 Y 5 Z

ABOUT THE COMPANY Acxiom Corporation, established in 1969 as a data processing firm, is a pioneer in information management technology.

Building on nearly two and a half decades of meeting the information needs of the direct marketing industry, the company now serves a variety of industries with a combination of unique hardware architecture and proprietary software tools that allow customers to take advantage of their mission-critical information.

Acxiom provides a comprehensive range of data management, database marketing and list services, plus selective outsourcing and facilities management, and fulfillment systems and services to database marketers, Fortune 500 companies, and other major firms.

Acxiom employs 1,700 associates with headquarters in Conway, Arkansas, and locations throughout the United States and the United Kingdom.

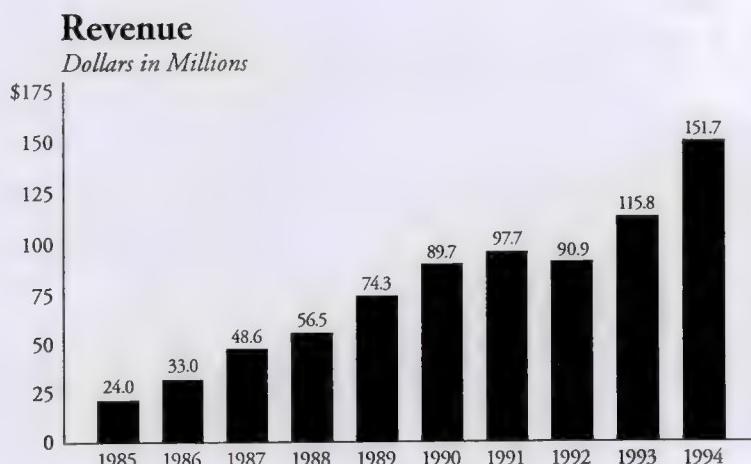
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FINANCIAL HIGHLIGHTS

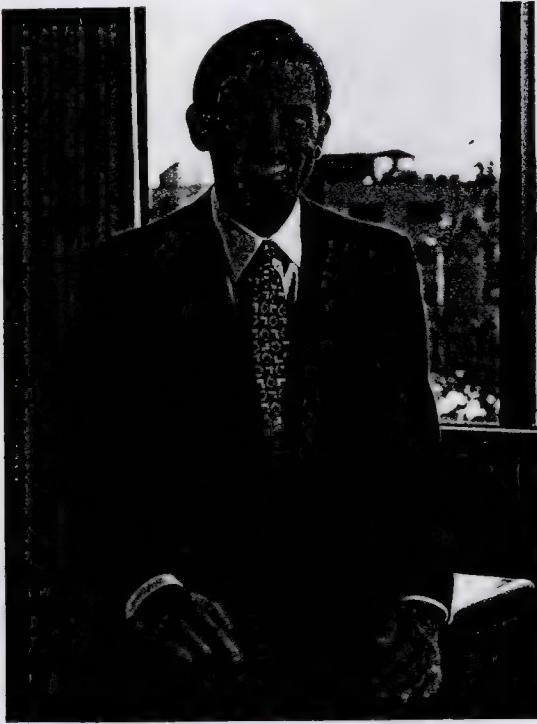
Dollars in thousands except per share data.

	1994	1993	% Change
Revenue and Earnings			
Revenue	\$151,669	115,827	31
Income from operations	\$ 15,264	11,694	31
Earnings before income taxes	\$ 13,433	10,168	32
Net earnings	\$ 8,397	6,230	35
Earnings per share	.77	.60	28
<i>$\approx 10.9 \text{ M\# shares}$</i>			
Financial Position at Year End			
Working capital	\$ 22,962	21,089	
Total assets	\$123,378	112,841	
Long-term debt, excluding current installments	\$ 34,992	33,237	
Stockholders' equity	\$ 61,896	52,171	
Other Financial Items			
Operating cash flow	\$ 24,590	13,991	
Capital expenditures	\$ 27,325	28,787	
Depreciation and amortization	\$ 19,397	16,083	



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TO MY FELLOW SHAREHOLDERS

I am pleased to tell you that Acxiom's focus on building strategic partnerships and extending our core competencies to new industries resulted in another record year in fiscal 1994. Last year, we achieved the highest revenues, net income, and earnings per share in our company's 24-year history.

We exceeded our growth objectives of 25 percent in earnings per share. At the same time, we continued moving toward achieving our long-term corporate goals of 100 percent customer satisfaction, 100 percent associate satisfaction, and our other financial goals of 20 percent return on equity and 15 percent pre-tax profits.

This is how well we did in fiscal 1994, ended March 31, 1994. Revenue for the year was \$151,669,000 compared to \$115,827,000 for the previous fiscal year, a 31 percent increase. Net income for the year was \$8,397,000 compared to \$6,230,000, a 35 percent increase. Earnings per share rose 28 percent from \$.60 to \$.77.

The key reason for this performance can be found in the transition Acxiom started several years ago. Starting from a focus on data processing for the direct marketing industry, Acxiom is now providing large-scale information management applications and solutions to a variety of industries, while continuing to serve our traditional customers. We are also successfully transitioning to providing customized value-added solutions for long-term business partners. And most importantly, we are close to completing our transition from a traditional top-down hierarchical organization to a customer-focused company with a team culture of empowered professionals working toward continuous process improvement.

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The most gratifying thing about Axiom's growth is that for the second year in a row it continued across the board — in our traditional direct marketing businesses, in our newer database services and in outsourcing & facilities management businesses. In fact, database services — the area we pioneered and continue to lead with technology specifically designed to handle huge collections of information linked to individuals — became the largest product segment of our annual revenue (33 percent) for the first time. Combined with outsourcing & facilities management (19 percent), they represent more than half of Axiom's revenue. These results validate our long-planned transition strategy.

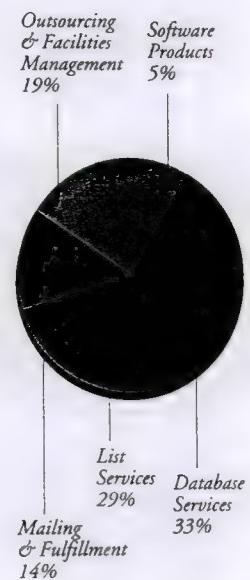
Revenues from the five-year database services agreement with Allstate Insurance Company grew to \$19.1 million last year. At Trans Union, one of the largest consumer credit reporting agencies, our agreement is proceeding as projected. Revenue last year was \$20.6 million.

In list services (29 percent of total), revenues from three of our credit card customers increased more than 35 percent. Revenues from one of our oldest and most important customers, list broker/manager Direct Media Inc. (DMI), also grew last year. While the improved economy contributed to our growth, particularly with credit card solicitations, much of last year's progress has to do with our own changes at Axiom. We have the structure, resources and expertise to handle growth.

In the case of DMI, a company that both uses and resells our list services, we implemented a new team structure within the DMI Business Unit. We removed all layers between DMI executives and the Axiom associates doing the actual work. So DMI knows everyone responsible for each process and can call them directly. We also established on-site education for DMI's brokers and staff to teach them about Axiom and our services. In addition, we continue to have an on-site Axiom executive focusing on relationship management and have just added an on-site associate for technical issues and day-to-day questions.

Our DMI teams are focusing on process improvement. We're cutting turnaround time, emphasizing quality and reducing labor-intensive work. With DMI, we built a cooperative database for business-to-business mailers. Instead of building 20 separate files every month, now we just build one. This has become a major new product for DMI and significantly improves Axiom's operating efficiencies. This is just one example of how changing Axiom's culture can

Revenue Distribution by Product Line 1994



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actually increase profits, even in our most mature and valued business with one of our oldest customers.

To complete the business picture, InfoBase continues to grow and be profitable. Revenues increased 46 percent for the year, and the EDGE division of InfoBase has finished creating an optically scanned database of all the White Pages telephone directories in the U.S.

In Europe, Acxiom UK continues to face challenges. But as expected, our operations in London and Sunderland returned to profitability after two years of losses. With several new agreements for marketing databases and product fulfillment and a number of new strategic alliances, we're expecting continued improvement in those operations.

Acxiom UK should improve even further by the decision made at the end of the fiscal year regarding BSA, Inc. — our wholly-owned subsidiary with locations in Ocean, N.J., and Warwick, United Kingdom. Both operations have been downsized and certain assets of the U.S. operation are scheduled to be sold at the end of June, 1994. The financial results of BSA's UK operations are consolidated into Acxiom UK, which consequently experienced a loss. BSA's sole business is selling product fulfillment software to the mail order catalog industry, and the synergies we expected would develop with our other catalog industry services when we acquired BSA in late 1986 never materialized.

Moreover, we decided to sell BSA to devote more resources to our core competencies — software systems development, data center management, and information management technology — and to sharpen the focus on our technology. Acxiom is a high-tech services provider, and BSA, as a software sales business, was not a strategic fit in the final analysis.

For similar reasons, we also decided last year to sell Acxiom Mailing Services, our lettershop in Philadelphia, known as Modern Mailers when it was acquired in late 1987. AMS's business is laser personalizing, addressing, sorting and mailing direct mail packages.

We continue investing in what fits our core competencies and what can be leveraged into larger opportunities. After three years of development, this year we released Acxiom MarketGuide,SM our suite of five database access tools. With them, our customers can use the personal computers on their desks running Microsoft Windows^{®*} to get direct access to their database and list files

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that we maintain for them on our mainframes. MarketGuide gives Acxiom the easy-to-use graphical user interface (GUI) and "client/server architecture" necessary to compete today and in the future. More importantly, MarketGuide makes all of our list and marketing database services even more attractive to our traditional customers and facilitates our own access to new industries needing our large-scale information management technology.

As part of our continuing industry diversification, we are also investing in Acxiom RM-Tools, Inc., a new subsidiary to meet the expanding risk management needs of the insurance industry for database and large-scale information management. Still being developed with our strategic partners, the Acxiom RM-ToolsSM themselves will include the data acquisition, management and integration applications we have pioneered for insurance underwriting at Allstate and go beyond them to include the core risk management tools every property and casualty insurer needs.

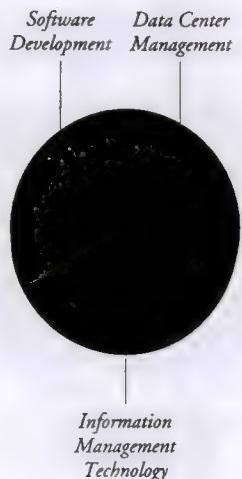
We are penetrating the insurance industry with customized solutions in two other areas, as well.

Last year, we signed a three-year, contract with the Texas Department of Insurance to create a comprehensive database of every property and auto insurance policy, premium and claim handled by every insurance company doing business in the state. The department will analyze statistics from that database — using our MarketGuide tools — to regulate the industry's rates and better inform consumers. Texas is the first state mandating such an independent database to collect virtually all insurance data for regulation but others are expected to follow.

As our first venture into the health care market, we are creating a pilot medical information database for one of the 100 largest companies in the U.S. This automated system will enable the company to evaluate not just the cost, but also the quality, of medical treatments received by its associates. I am confident the expertise Acxiom is developing in this project — the ability to document the value of medical care — will place us in a strong position to meet the needs of this market, no matter what kind of national health care reform is eventually enacted.

In the last year, we also entered into a five-year strategic alliance agreement with Maritz Inc., a \$1.5 billion company specializing in improving measurable business results in such critical areas as sales, marketing, quality, customer satisfaction and cost reduction for Fortune 500 companies. Under the agreement, Acxiom will provide the information technology essential to Maritz's

Core Competencies



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customer solutions. While still exploring our potential synergies, we are initially focusing on the telecommunications and automotive industries, where Maritz is well established. Future efforts will be aimed at other growing markets including pharmaceuticals, entertainment, hotels, retail and home shopping.

As we extend the reach of our core competencies to new industries, we are becoming even more vigilant about protecting the individual consumer's right to privacy. In fact, we have taken the initiative on privacy both inside and outside the company. Inside, last year we adopted a comprehensive Axiom privacy policy, distributed the printed text to everyone in the company, and held group meetings with associates to discuss it. The policy's eight points include our recognition of consumers' rights to control the dissemination of information about themselves; our commitment to strict data security systems to avoid unauthorized disclosures; and our support for the Direct Marketing Association's Mail and Telephone Preference Service programs consumers can use to opt-out of unrequested solicitations. One measure of our support is we've changed our standard customer agreement to say those names will be purged at no extra charge from all outside lists we process for customers.

Our InfoBase customer contract was singled out as a model of consumer protection by the trade magazine *Target Marketing* in its February, 1994, special report on privacy. The editors said: "If all in the mailing chain... adopted...the InfoBase contract — plus honored all opt-out requests — in theory the privacy issue should dry up and go away."

Since direct marketing remains one of our primary business drivers, we convened a meeting in February of ten companies representing a cross section of businesses in the direct marketing industry, including the U.S. Postal Service. Its purpose was to promote awareness of the growing privacy problem and to explore methods of effective industry self-regulation that might pre-empt any national policy dictated by Congress. We met again in April to discuss a possible privacy seal of approval for direct marketing, and I expect the meetings will continue as we position Axiom out in front of this most important industry-wide issue.

We also continued implementing key components of the Race for Excellence, our four-year-old Total Quality Management effort and a strategic initiative. Last year we collapsed management

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levels and virtually eliminated job titles, fully franchised our 26 separate Business Units, and saw our flexible team-based approach begin to show results. The whole concept of continuous improvement is now so much a part of Acxiom's culture that significant annual cost savings were identified as part of our Quarterly Excellence Program.

Moving forward, we are introducing a new pay system this year consistent with our new structure and culture. It includes gainsharing pay based on corporate and individual Business Unit performance, peer-to-peer reviews, and rewards for people on how well they apply their skills to successful customer projects in our leadership-based team environment.

The pay system is just part of the new Acxiom Career Development System, a primary focus for us this coming year, when continuing education for our associates will become an even more important part of our culture and customer requirements will help define what our associates need to know. In fact, the title Race for Excellence, which implies a project with an ending, is transitioning into simply the Acxiom Business Culture.

Investments in our people are matched by our continuing investments in management infrastructure, physical plant and core technologies. Last year, we completed Phase III of our Activity Based Management system and can now measure our profitability by individual project, by customer, or by product and service. This will help us to improve all our work processes and make possible our new gainsharing pay system.

In July 1993, we finished our \$3-million data center expansion on time and on budget and moved in our outsourcing partners. At the same time, we finished our new data communications configuration to bring fiber optic cable connections to every point on Acxiom's campus. The new diesel generator power back-up at the expansion was so successful last year that we are planning to install similar generators at some of our other data centers for increased security and reliability. And we continued upgrading all of our core proprietary software, the enabling tools our associates combine for the custom solutions our customers need.

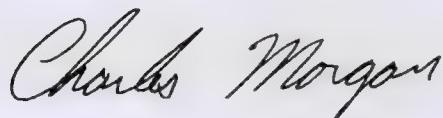
We are making all of these investments because the future looks particularly bright for Acxiom. In today's crowded, segmented marketplace, every business needs the right information and the tools to manage it. We are better at providing them because our capabilities were forged by the

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sophisticated demands of the country's leading direct marketers. With our abilities now so clearly applicable to many other industries, we are continuing to find new partners and allies who can benefit from them. Like many of our current customers — Citicorp, GTE, Procter & Gamble, Chase Manhattan, and the Meredith Corporation (publisher of *Better Homes & Gardens*) — our new customers will be Fortune 500 size companies.

We are continuing to grow our business and expertise in the vertical markets of finance and insurance — our two largest growth industries last year — as well as in telecommunications, retail and government. We will also pursue opportunities in publishing, outsourcing and facilities management.

But as I told you in last year's report, we continue to focus on those areas offering us the greatest potential for long-term growth: complex data integration partnerships in insurance and other industries. As you can see, last year's promise has already started becoming this year's reality. I want to close by saluting all the associates at Acxiom who made it possible.



Charles D. Morgan, Jr.
Chairman of the Board and President

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BUSINESS STRATEGY Our business strategy continues to move Acxiom toward customized solutions for customers and strategic partners under long-term agreements. The focus of this strategy is on customers in various industries whose business needs are best served by leveraging each of Acxiom's core competencies — software systems development, data center management, and information management expertise — to help them manage their complex mission-critical information. Our success implementing this strategy can be seen in our changing revenue mix over the last three years: 9 percent of revenue from long-term agreements in fiscal 1992, 20 percent in fiscal 1993, and 38 percent last year. Additionally, our recurring revenues from repeating projects is approximately 50 percent.

The totality of what Acxiom can do for our customers requires long-term relationships. Designing, building, monitoring and maintaining a large scale database is not a short-term project. Neither is managing a company's mission-critical data, whether it supports risk analysis in insurance, credit data in finance, or buying patterns in the retail sector.

We have already repeated our early success in the mailing list business with new customers. Some of our first customers were the suppliers of mailing lists: brokers like DMI and Mal Dunn. Then they were followed by the large users of mailing lists, such as various seminar companies. Now we've achieved the same customer mix in the credit arena, with suppliers like Trans Union and large financial service companies like Citicorp. As experts in the effective management of large information resources, Acxiom is becoming an increasingly attractive partner to both suppliers and users in many industries.

New industries are discovering the value of our work. The marketing database techniques we developed for direct marketers in the '70s and '80s to acquire new customers are now being used by mass marketers to help develop new products. The custom tools and applications we developed for book and magazine publishers are now being used by large non-profit organizations and by department store retail chains for customer service. The data management and integration techniques we're pioneering for risk management in the insurance industry could be used in new ways by financial services companies. With our software tools being this flexible, we are making insurance and Acxiom RM-Tools the models for creating new industry application solutions

Revenue Under
Long-Term Contract

Fiscal 1992



Fiscal 1993



Fiscal 1994



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encompassing both the technology and the data necessary for decision support in a tailored industry-specific application package.

Our associates already combine our tools to create industry-specific custom software solutions for our customers. As a result, inside Acxiom we are becoming even more industry focused and continue to build our industry-specific knowledge and expertise. In the past year, for instance, we took our Finance Business Unit and split off a new Communications Business Unit to focus exclusively on that industry, especially the Regional Bell Operating Companies, known as the "Baby Bells."

In addition to focusing more on specific industry requirements, this separation helps us better understand where to invest in Research & Development. We continue to invest heavily in R&D, which is a critical component of our business strategy and our competitive edge in information management technology. Our unique hardware architecture, proprietary software, and the experience of our associates continue to be key.

Acxiom has long been an industry leader because of our unique system of "attached processors," linking mainframes together to distribute tasks and accomplish them more effectively. In terms of price and performance, we have in the past found no better way to process the constantly changing information on which our customers depend. But the computer industry is also constantly changing, so we have introduced "parallel processing" to become even more effective. Parallel processing is the newest wave in large-scale computing. It combines many small off-the-shelf microprocessor chips linked in tandem in one computer to achieve faster speeds than a single large processor. We believe Acxiom's work is particularly well suited to parallel processing, which holds out the promise of speeding up some of our processing two or three times and containing costs.

We are also driving down operating costs with Navigate!, our internal software for automating the operation of the mainframes themselves. After two years of development, this user-friendly tool now allows our customer service associates to order and control work done in the data center through graphic displays. With Navigate! associates don't need as much technical knowledge to control even very technical processes, which has the added effect of reducing our training costs.

Our unique hardware architecture, proprietary software and the experience of our associates are key to maintaining Acxiom's leadership in large scale information management technology.

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Moreover, Navigate! will enhance our response time — and competitiveness — in a world that wants information faster and faster.

Outside Acxiom, MarketGuide, our suite of client/server database access tools, will bring similar benefits to our customers. Previously, customers of our List Order Fulfillment System (LOFS®) had to learn our technical language to order segments of lists through the computer terminals in their offices. Now with Acxiom MarketSelect™ and Microsoft Windows, users can just point and click at what they want. The program still uses our technical language to send the command to our mainframe, but that complexity is completely hidden from the user, just like Navigate!. Our RelationBase® marketing database customers can also use MarketSelect to access their data in Conway from remote sites.

The five MarketGuide products — the others are Acxiom MarketTransfer™, Acxiom MarketReady™, Acxiom MarketScore™ and Acxiom MarketImage™ — allow us to keep customers' complex databases on our mainframes, where they belong. At the same time, we can offer them easy access to segments of their data for analysis on their personal computers using their own off-the-shelf software from Microsoft®, Lotus®* and others. This kind of ease-of-use is what every office worker using a computer in any industry now expects. And it is already helping us sell our solutions into other industries, including the Texas Department of Insurance, where MarketGuide was key to Acxiom being selected over six other competitors.

We are committed to making customers' access to their data as easy as though it were on their own PCs. But our competitiveness depends first on our proprietary mainframe software products — the tools we use to manage our customers' data better than the competition. Customers quickly abandon software that is not updated. We are relentless in continuing to improve ours. This includes an R&D initiative for GS/2000®, our book and magazine marketing and fulfillment software. The features being developed include a new reporting system, a graphical user interface (GUI), and access from customers' PCs. Recognizing the importance of our core systems, we have a large team of Acxiom associates focused on maintaining and upgrading all of them, including LOFS and RelationBase.

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We are investing in the most basic process we perform for customers — merging two or more mailing lists and then purging the duplicates. Under a joint development project with the University of Arkansas, the software we use to recognize duplicate names and addresses is being improved by using advanced artificial intelligence programming techniques.

Finally, the expertise of our associates became particularly evident last summer when we opened our expanded \$3-million data center, the largest data center move we've ever made. It became a living example of what makes us successful. We used the same approach as we would outsourcing a new client. We distributed responsibility throughout the organization, involving five separate Business Units organized into seven teams of empowered associates. Decision-making was driven from the bottom up, rather than the top down. The quality of the planning became clear over the July Fourth weekend, when the expansion went like clockwork.

The teams moved our fiber optic telecommunications network, got two mainframes up and running, transferred 100,000 tape cartridges and 6,000 round tapes, moved 56 tape drives, and installed hard disk drives holding 275 billion bytes of data. And they did it with zero defects, finishing 20 hours ahead of schedule. Most important, the move was totally transparent to the users — our outsourcing customers — who had 99.9 percent availability. In fact, one customer phoned after the weekend to ask when the move would be taking place!

With that same focus on quality in everything we do, Acxiom is committed to remaining a leader in large-scale information management technology.

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INSURANCE Changes in the insurance industry present many different opportunities for Axiom. The insurance industry has become intensely competitive at the same time that companies' operating costs are escalating. Always closely regulated, the industry now faces increased and frequently changing legislation both on the state and federal levels. And, of course, national health care reform could have a great impact on the insurance industry.

This reality is an opportunity for Axiom. The insurance industry has always run on information — enormous volumes of information. Based on this need, insurance was one of the first industries to embrace computers as an essential part of their operations. That process is continuing now with an essential insurance business process that has historically been manual: underwriting, which includes gathering the information necessary for judging the risk of insuring a prospective policy-holder and then setting the appropriate premium.

The insurance industry has recognized the need for automation here, too, because the volume of information necessary and the large number of different individuals involved have impacted the completeness, accuracy and timeliness of underwriting — resulting in higher costs. Managing the flow of information for insurance companies so they can reduce costs and better serve their customers is a major growth opportunity for Axiom. We are now offering our services and expertise throughout the industry.

Allstate is the country's second largest property and casualty company. In fiscal 1993, we developed our first system to improve the quality, consistency, and speed of information for their underwriting new auto insurance policies and processing renewals. Most simply, each day Axiom receives certain basic information applicants have provided Allstate and returns a comprehensive report of consolidated external risk assessment data. Our computers handle the process automatically through a telecommunications network with Allstate's computers.

Now we are well into Phase 2 of our five-year agreement to create and deploy this custom system for acquiring and integrating data. By the end of fiscal 1994, we had implemented the system for new policies in 80 percent of the country and were producing more than 100,000 comprehensive reports every week — up from just a few thousand a week a year ago. Allstate agents and underwriters are receiving in one or two days what used to take up to one week

Axiom's systems
are automated to
improve transmission
speed, quality and
consistency of
information necessary
to underwrite new
insurance policies and
process renewals.

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before the Acxiom system. We are now buying large quantities of raw data every week for Allstate and finding new and more efficient suppliers for that data. In the coming year, we will be developing a similar system for Allstate's nation-wide property risk assessment process.

One of the most basic things we do for Allstate shows how seamlessly our established technology and expertise have transferred to this new arena. Our new system receives public reports from state departments of motor vehicles, for instance, and automatically reformats their different state codes into one standard format for completeness and accuracy. And that is very similar to what our Convert software has been doing to lists of names and addresses for over 20 years.

This past year we launched Acxiom RM-Tools, Inc., a new subsidiary to market information systems to the insurance industry. In addition to the tools for reducing the cost of acquiring and integrating data, the offerings will also include others for evaluating insurance risk. These tools will be created by our strategic partner — Fair, Isaac and Company, Incorporated — a leading developer of scoring technology for the insurance and credit industry. Most simply, these tools will determine the value of each data element and score the risk. The potential market in the property and casualty insurance industry for all these tools and for Acxiom's expertise in database and large scale information management is very large, though hard to estimate.

With premiums approaching \$300 billion, insurance companies are constantly coming under new regulations. Texas took the most aggressive position in 1991 when it voted to repeal the industry's exemption from anti-trust laws. In addition to requiring new competition among insurance companies, the legislation allowed the country's first independent agency for collection of all insurance data and statistical information. Last year, the Texas Department of Insurance chose Acxiom over six competitors for the three-year contract to build and maintain this database.

The contract requires all 850 insurance companies doing business in Texas to report the statistical data directly to us, rather than to the previous compilers: industry-owned organizations that still supply the data to other states. The database will eventually contain records on the vast majority of insurance policies for private automobiles, all residential property and various kinds of business insurance, including general liability, commercial property and commercial casualty. Plus, it will

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have records on all premiums and losses, the vast majority at the detailed policy level: an estimated 100 million records over the life of the contract.

Texas Insurance Commissioner J. Robert Hunter said his department will use the database to provide regulators and insurers with better market information and to help promote competition in insurance markets. In addition, he hopes to use the new statistical data to identify areas of the state that are under-served by the insurance industry. He added that the National Association of Insurance Commissioners is considering the data issue.

The direction of national health care reform is even more uncertain. But whatever happens, the need to control medical costs without sacrificing the quality of care will increase. For companies like Acxiom with the technology and expertise to handle the massive amounts of data generated in health care, the potential market is enormous.

The opportunity here for Acxiom is not processing medical claims — a business with well-established competitors — but, once again, managing the information necessary for analysis and decision-making. As our first venture into this market, Acxiom has signed a contract with one of the 100 largest companies in the U.S. to build a prototype of services for the health care industry. Our initial task is to help the company control administrative costs through electronic submission of medical claims.

At the same time, we are building a database that will allow the company to analyze both the cost and quality of medical treatment received by its associates. This kind of analysis — known as “outcomes management” — is new in the health care industry. Working with several companies recognized as leaders in the field, Acxiom is developing integrated services to provide a seamless system that collects, safely stores, and provides analysis of all types of medical data.

To our customer and to other employers who want to save money without compromising on the quality of their associates’ medical care, outcomes measurement is the wave of the future. No matter which direction national health care reform eventually takes, the expertise Acxiom is developing in this pilot project will bring us new opportunities.

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Government, consumers, business and the insurance industry itself are all benefiting from the large-scale information management technology Acxiom is applying to insurance today. In the final analysis, the consumer could become the biggest beneficiary as we help insurance companies better collect their data, properly analyze their risk, fairly apportion their premiums, sharply reduce their costs, and fine-tune their products to meet the ever-changing needs of their customers.

FINANCE AND COMMUNICATIONS Acxiom has long been recognized as the industry leader in assisting banks and other financial service companies with the complex and highly regulated process of offering credit cards to consumers. The continuing long-term relationships different banks and card issuers maintain with Acxiom is evidence of their confidence in our integrity and respect for consumer privacy. We help our customers assign credit worthiness scoring against complex financial models that they have created. The models can be so rigorous that a group of 100 million names will be narrowed down to 20 million or fewer when scoring is completed. Customers can then move their data to RelationBase for analysis and development of a complete historical record of promotions.

This is the segment of our business most sensitive to general economic conditions. As the economy improved last year, Finance became one of our two fastest growing industry segments. Revenues from just three of our credit card customers increased more than 35 percent and revenue in the entire segment increased 37 percent as we attracted substantial new bank customers in California, Texas, North Carolina and Georgia. We have plans for continued growth in the Finance Business Unit by moving beyond credit card solicitation to other areas of the banking business that don't yet use our modeling and scoring technology. Mutual fund companies and the banks that have acquired some of them present many opportunities for us.

Rapid changes in the telecommunications industry offer us another significant opportunity to apply our information management technology. Last year for the first time we created a separate Communications Business Unit, splitting off from Finance. This is hardly a new industry segment for Acxiom. In fact, one of our earliest RelationBase customers was GTE, the largest U.S.-based telephone company, which after more than seven years still maintains its customer databases on our mainframes for promotional mailings and analysis. But the new regulatory and communications

Our finance business will continue to grow by moving beyond credit card solicitation to other applications in banking that can leverage our information management technology.

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climate in the U.S. presents opportunities that demand we be even more focused on this area than ever before.

The Regional Bell Operating Companies, known as the "Baby Bells," are one of our primary targets. They have the world's most advanced switching systems, capable of linking two people across the country in less than a second, and large-scale accounting and billing systems to record and invoice the transactions. But they do not have all of the database systems and expertise they need for marketing and analysis. Now, they not only have to protect their current customers in their regions, but they also have to compete to expand local service and may even want to expand into long distance service. They are going outside their traditional geographic areas to sell phone services, customer calling features, Yellow Pages and other services. By moving into the information business through acquisitions, they will have an even greater need to capture and manage a tremendous amount of marketing information. For all these reasons, they will need the large-scale information management technology Acxiom knows how to provide.

Our other targets will include the existing long distance carriers, cable companies and cellular and wireless markets. In these markets, we will be working with our new partner, Maritz Inc., which already has a substantial client base in telecommunications. The \$1.5 billion Maritz — a 100-year-old privately held company based in St. Louis — has traditionally helped its clients improve their business results through employee incentive and motivation programs, business meetings and market research services. It leads the country in the sales incentive business. Some years ago, it added such services as training, corporate and business group travel, and customer satisfaction studies. Most recently, Maritz expanded into database marketing services. Acxiom will provide information management technology to support their list processing, data enhancement and marketing database services as part of our five-year strategic alliance.

In telecommunications, Maritz has been running performance improvement programs for major companies for many years. In addition to the Communications Business Unit, Maritz is working with several other Acxiom Business Units to pursue joint opportunities. Nationwide, their 160 salespeople are pursuing key opportunities — in finance, packaged goods, retail and entertainment — and Maritz is involved in several industries that are new to us. For instance, Maritz is already helping Ford implement a continuous improvement system among its 350,000 employees, and

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virtually all car makers use Maritz to measure buyer satisfaction, track quality or provide strategic research. We are learning how to sell our services together, and as opportunities arise they will go to the appropriate industry-specific Business Unit within Acxiom, including the United Kingdom.

PUBLISHING AND NON-PROFITS Like many industries, publishers were hard hit by the recession in the early '90s. The total number of magazine advertising pages sold — the primary source of most publishing revenues — was down or flat throughout the industry. While sales began to recover in the first quarter of calendar year 1994, the industry is increasingly turning to circulation and cross-selling affinity products directly to customers to increase revenues. The techniques and software tools Acxiom has pioneered to help companies manage the process of identifying, acquiring and retaining their best customers are finding a welcome reception here.

This process requires knowledge of customers' multiple purchases to better anticipate and respond to their needs. Publishers, in particular, have a tremendous amount of data about their customers' individual purchases but require a framework for turning that data into actionable information. For them and for non-profit organizations, the answer is increasingly GS/2000, our software system that integrates marketing and product fulfillment. GS/2000 is designed to handle multiple products — including magazine subscriptions, one-shot purchases, book clubs and continuity programs — so a customer's entire history of purchases and service contacts can be stored together. GS/2000's integration makes it ideal for supporting cross-selling and up-selling.

The magazine *Highlights for Children* bought the first site license for GS/2000 and has been in production since last summer. In 1993, we sold our second license to the National Rifle Association of America (NRA). To make GS/2000 meet the additional needs of non-profits like the NRA, we added a membership component. This new capability will broaden the market for GS/2000 in an arena where there is little large-scale competition.

Publishers have long been using our marketing database RelationBase to create opportunities from smart information management. Last year one of our RelationBase clients, Meredith



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Corporation (publisher of *Better Homes and Gardens* and *The Ladies' Home Journal*), was written up in *The New York Times* and the trade magazine *Direct* for the success of its marketing database, now numbering 60 million individuals. In a story headlined "Database Magic at Meredith," the magazine noted that Meredith is using the database for more than promotions. Executives are using it to guide their decisions on selective binding of special-interest inserts, starting brand new magazines, improving the editorial focus of existing ones, and developing and selling new books. "Our database is a core strength of Meredith," an executive told *Direct*.

To make its database even more useful, Meredith helped us test and develop one of our five new MarketGuide access products, MarketImage. Meredith personnel found MarketImage very easy to learn and even easier to use. With our corporate goal of 100 percent customer satisfaction, we are working very hard to see that all our customers — in publishing, non-profits and other industries — are just as satisfied.

OUTSOURCING & FACILITIES MANAGEMENT The definition of outsourcing, long debated in the Information Technology (IT) world, is in transition at Axiom. Outsourcing has always referred to buying from a vendor IT services that would otherwise be provided by internal resources. At Axiom, we see outsourcing as using the value-add of every Business Unit to provide customers with the information integration that is required for decision support and setting their strategic direction.

For Axiom, outsourcing has always been more than just managing a customer's data center. While we continue to pursue this type of facilities management — like our agreement with Trans Union — our focus remains on the fastest growing segment of this market: selective outsourcing. What that means is partnering with customers to identify the specific functions and technical areas that they need us to manage for them. This could be helping with the transition from a mainframe to client/server architecture, creating knowledge-based applications, turning data into strategic information, or keeping a re-engineering effort customer focused. Whatever the area, we do not take control of the IT function away from the customer, but instead manage the activities that make sense for each individual business.

Continuing education of our associates is an important part of Axiom's culture, and the requirements of customers, like those in publishing, help us define what associates need to know.

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4E5F667H8I3J9K1L2M3N405P6Q7R8S9
4Y5Z6A7B8C9D0E1F2G3H4I5
M3N405P6Q7R8S9T0U1V
4Y5Z6A7B8C9D0E1F2G3H4I5
4Y5Z6A7B8C9D0E1F2G3H4I5

] 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 0 U 1 V 2 W 3 X 4 Y 5 Z 6 A 7 B 8 C 9 D 0
4 E 5 F 6 G 7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 0 U 1 V 2 W 3 X 4
8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 0 1 B 2 C 3 D 4 E 5 F 6 G 7 H 8 I
7 H 8 I 9 J 0 K 1 L 2 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 4 E 5 F 6 G 7 H 8 I 9 J 0 K 1
7 L 8 M 9 N 0 0 1 P 2 Q 3 R 4 S 5 T 6 U 1 F 2 G 3 H 4 I 5 J 6 K 7 L 8 M 9 N 0 0 1
C 9 D 0 E 1 F 2 G 3 H 4 I 5 J 6 K 7 L 3 X 4 Y 5 Z 6 A 7 B 8 C 9 D 0 E 1 F 2 G 3 H
8 S 9 T 0 U 1 V 2 W 3 X 4 M 3 N 4 0 5 P 6 0 7 R 8 S 9 T 0 U 1 V 2 W 3 X 4 Y 5 Z
J 0 E 1 F 2 G 3 H 4 I 5 X 4 Y 5 Z 6 A 7 B 8 C 9 D 0 E 1 F 2 G 3 H 4 I 5 Z 6 A 7 B 8

Our prospects are our customers: companies that can benefit from our core competencies and our 24 years' experience managing large volumes of consumer and business data. Using our core competencies, especially our information management applications, we can do more than just save our customers money: we can improve their relationships with their customers and grow their revenues through process improvement.

We have already started doing this for Trans Union during the first full year of our contract. Last year was particularly strong for Trans Union as it delivered more than 130 million credit reports to insurance companies, banks, credit card issuers and other credit providers. Low interest rates led to large volumes of mortgage refinancings, all requiring full credit reports. But that is just one part of its business. Every day, Trans Union receives an average of 600,000 to 650,000 credit requests of various types from their 250 bureaus and from their 300,000 customers on their telecommunications network. Many requests require immediate responses, but others are longer term.

By using our applications, Acxiom has reduced Trans Union's response time for longer-term profiling from seven to ten weeks down to three weeks. Other clients want to check on last-minute credit changes just days before mailing a large qualified list. Acxiom has made that process improvement possible during the last year, too.

Of course we still handle the complex work at Trans Union's Chicago data center, where every day new raw data pours in over the network and arrives on hundreds of tapes from national, regional and local credit grantors. We process all this data and then, according to standards established by Trans Union and the credit reporting industry, update the appropriate records every night of virtually every adult in the U.S. with a credit history. This is clearly a sophisticated data processing operation utilizing much of our expertise in data center management.

Moving forward, the additional value we bring — in business process improvement, re-engineering, revenue enhancement, and integrating diverse data into actionable information — will become an increasingly important part of our outsourcing strategy, which remains one of the keys to our future.

**The value-add of each
Acxiom Business Unit
provides customers
with the information
integration necessary
for decision support
and strategic planning.**

SELECTED FINANCIAL DATA

Years Ended March 31,	1994	1993	1992	1991	1990
Earnings Statement Data:					
Revenue	\$151,669	115,827	90,905	97,714	89,734
Net Earnings	\$8,397	6,230	2,143	3,843	5,664
Earnings per share	\$.77	.60	.22	.39	.58
Average shares outstanding	10,920	10,384	9,528	9,774	9,806
 March 31,					
	1994	1993	1992	1991	1990
Balance Sheet Data:					
Current assets	\$35,857	36,027	29,902	28,966	27,495
Current liabilities	\$12,895	14,938	12,474	13,687	15,252
Total assets	\$123,378	112,841	87,380	90,427	81,015
Long-term debt, excluding current installments	\$34,992	33,237	22,994	28,600	22,854
Redeemable common stock	\$7,692	7,222	—	—	—
Stockholders' equity	\$61,896	52,171	47,424	44,356	39,202

(In thousands, except per share data. Per share data are restated to reflect a two-for-one stock split by means of a common stock dividend distributed on November 30, 1992.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Consolidated revenues were a record \$151.7 million in 1994, a 31% increase from 1993 after increasing 27% from 1992 to 1993. Of the \$35.8 million increase in 1994, \$16.7 million was due to the data management agreement with Allstate Insurance Company which began in September, 1992 and \$9.4 million resulted from the data center management agreement with Trans Union Corporation which was effective August, 1992. Excluding these two contracts, 1994 revenues increased 12% in the United States (14% excluding the impact of Acxiom Mailing Services and the U.S. operations of BSA), primarily due to greater volume in list and database services, and were flat in the United Kingdom.

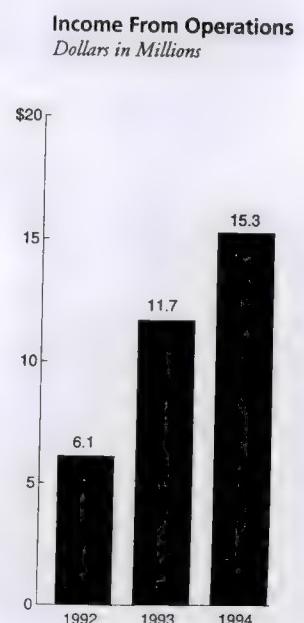
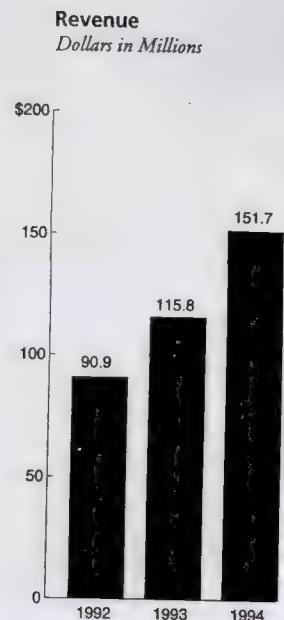
Of the \$24.9 million increase in 1993, \$11.2 million reflected revenues under the Trans Union agreement. The balance of the increase resulted from a 16% increase in the United Kingdom and a 15% increase on other U.S. operations principally due to a greater volume of list, database, and outsourcing services.

In 1994, the Company had two major customers who accounted for more than 10% of revenue. Trans Union and Allstate accounted for 13.6% and 12.6% of revenue, respectively. In 1993, the Company had no customers who accounted for more than 10% of revenue. Citicorp accounted for 12.9% of revenue in 1992. Trans Union has the right to terminate the data center agreement at the end of 2½ years. If this right is not exercised, the contract will continue for another 7½ years. The term of the Allstate agreement is five years. Citicorp is not under long-term contract, but has been a major customer of the Company for over ten years. The Company does not have any reason to believe that any of these customers will not continue to do business with the Company.

Acxiom U.K., Ltd., the Company's United Kingdom subsidiary, provides services to the United Kingdom market which are similar to the traditional direct marketing industry services the Company provides in the United States. In addition, Acxiom U.K. also provides promotional materials handling and fulfillment services to U.K. customers. Most of the Company's exposure to exchange rate fluctuation is due to translation gains and losses as there are no material transactions which cause exchange rate impact. The U.K. operation generally funds its own operations and capital expenditures, although the Company occasionally advances funds from the U.S. to the U.K. These advances are considered to be long-term investments, and any gain or loss resulting from changes in exchange rates as well as gains or losses resulting from translating the financial statements into U.S. dollars are accumulated in a separate component of stockholders' equity. There are no restrictions on transfers of funds from the U.K.

As noted in footnote 12 of the consolidated financial statements, the Company's United Kingdom operations have sustained losses in each of the last three years. The losses in the current year resulted from the BSA U.K. division, which sells catalog fulfillment software. Management has downsized this operation, and believes that the combined U.K. operations will improve their operating performance. The U.K. operations in London and Sunderland, England reported a profit in fiscal 1994.

Operating costs and expenses increased 31% in total in 1994 which was a result of a 21% increase in computer, communications and other equipment expenses, a 14% increase in salaries and benefits, and a 14% increase in other operating costs and expenses. The \$16.3 million increase in data costs relates to the Allstate agreement noted above. The increase in computer, communications and other equipment expenses reflects the Trans Union data center management



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agreement being in effect for the full year in 1994 compared to seven months in 1993. The other increases were due to the Trans Union agreement being in effect for the full year as well as increased operating activities. Operating costs and expenses increased 23% in fiscal 1993, including a 54% increase in computer, communications and other equipment, which was a result of the addition of the Trans Union data center management agreement during 1993.

Income from operations was a record \$15.3 million, a 31% increase from 1993. Income from operations in 1993 increased 92% over the prior year. The operating margin was 10.1% in 1994 and 1993, and 6.7% in 1992.

Other expense of \$1.8 million in 1994 increased 20% from 1993 due to higher interest expense associated with increased levels of borrowing. Other expense of \$1.5 million in 1993 decreased \$1.3 million from 1992 due to lower interest rates and a \$1.0 million non-recurring charge to earnings in 1992 relating to losses on disposal of assets and increases in reserves.

The Company's effective tax rate was 37%, 39% and 34% for 1994, 1993 and 1992, respectively. The increase in the effective rate in 1993 was principally due to reductions in the research and development credit and other tax credits. The Revenue Reconciliation Act of 1993, which was signed into law in August, 1993, retroactively reinstated the research and development credit, while raising the top corporate tax rate from 34% to 35%. The effect of the Act on the Company as a whole was not material. The Company expects the effective tax rate to remain in the 37-39% range for the next fiscal year.

Software and research and development spending was \$7.6 million in 1994 compared to \$7.5 million in 1993 and \$7.1 million in 1992.

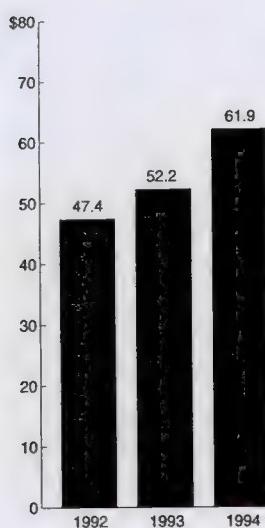
Capital Resources and Liquidity

Working capital at March 31, 1994 totaled \$23.0 million compared to \$21.1 million a year earlier. At March 31, 1994 the Company had available credit lines of \$31.0 million of which \$16.2 million was outstanding. The Company's debt-to-capital (capital defined as long-term debt plus redeemable common stock plus stockholders' equity) was 33% at March 31, 1994 compared to 36% at March 31, 1993. Total stockholders' equity (excluding the redeemable common stock) increased 19% from the prior year to \$61.9 million as of March 31, 1994.

Cash provided from operating activities was a record \$24.6 million for 1994 compared to \$14.0 million in 1993 and \$13.8 million in 1992. In 1994, \$31.0 million was used by investing activities and \$5.4 million was provided by financing activities. Included in the 1994 investing activities were capital expenditures of \$27.3 million, compared to \$28.8 million in 1993 and \$7.2 million in 1992. Capital expenditures of \$15.9 million and \$16.0 million in 1994 and 1993, respectively, relate to assets acquired under the data center management agreement with Trans Union.

While the Company does not have any material contractual commitments for capital expenditures, additional investments in facilities and computer equipment will be made to support the anticipated growth of the business. In addition, new outsourcing or facilities management contracts (such as the Trans Union agreement noted above) frequently require substantial up-front capital expenditures in order to acquire existing assets. Management believes that the combination of existing working capital, anticipated funds to be generated from future operations and the Company's available credit lines is sufficient to meet the Company's current operating needs as well as to fund the anticipated levels of capital expenditures. If additional funds are required, the

Stockholders' Equity
Dollars in Millions



Cash Provided by Operating Activities
Dollars in Millions



Company would use existing credit lines to generate cash, followed by either additional borrowings to be secured by the Company's assets or the issuance of equity securities in either public or private offerings. Management believes that the Company has significant capacity to raise capital which could be used to support future growth.

As more fully described in footnote 10 of the consolidated financial statements, the Company has issued 480,000 shares of redeemable common stock to Trans Union, valued at \$7,692,000 as of March 31, 1994. Trans Union may cause the Company to repurchase the stock between years 2½ and 5 of the data center agreement. If Trans Union were to cause the Company to redeem the shares, management believes the Company could immediately issue additional shares through either a public or private offering, resulting in no material impact to the Company's financial position.

Other Information

As discussed in footnote 13 of the consolidated financial statements, the Company is involved in litigation, which if resolved against the Company, could result in payment of an amount which could be material to the financial statements. No determination can be made at this time as to the ultimate outcome of this lawsuit. However, management believes the Company has valid defenses to the charges and intends to vigorously contest the issue.

As discussed more fully in footnote 14 of the consolidated financial statements, the Company has sold substantially all of the assets of its Axiom Mailing Services subsidiary and has announced a letter of intent to sell certain assets of its BSA subsidiary. The AMS transaction is reflected in the financial statements for the year ended March 31, 1994. There was no significant financial impact from the AMS sale and the Company does not anticipate material financial impact from the BSA transaction. The impact on operations in future years is expected to be positive, as neither of these business units contributed positive earnings in fiscal 1994.

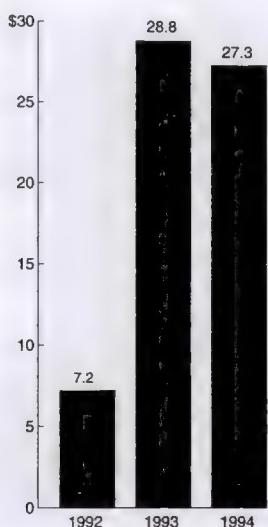
The Company has adopted a comprehensive privacy policy which includes recognition of consumers' rights to control the dissemination of information about themselves, the Company's commitment to strict data security to avoid unauthorized disclosures and support for programs which consumers can use to opt out of unrequested solicitations. The Company is taking the lead in exploring industry self-regulation that might preempt, or be used as a model for, any national policy mandated by Congress.

Seasonality and Inflation

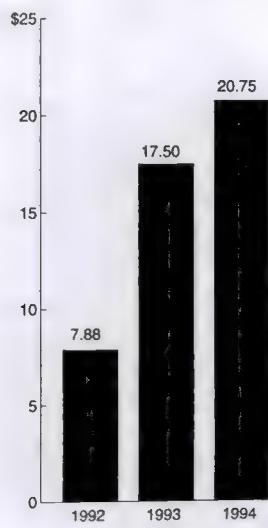
Although the Company cannot accurately determine the amounts attributable thereto, the Company has been affected by inflation through increased costs of compensation and other operating expenses. Generally, the effects of inflation are offset by technological advances, economies of scale and other operational efficiencies. The Company has established a pricing policy for long-term contracts which provides for the effects of expected increases resulting from inflation.

The Company's operations have not proven to be significantly seasonal, although the Company's traditional direct marketing operations experience slightly higher revenues in the Company's second and third quarters. In order to minimize the impact of these fluctuations, the Company continues to move towards long-term strategic partnerships with more predictable revenues.

Capital Expenditures
Dollars in Millions



Market Price Per Share
At March 31



CONSOLIDATED BALANCE SHEETS

March 31, 1994 and 1993

Assets	1994	1993
Current assets:		
Cash and short-term cash investments	\$ 475,000	1,479,000
Trade accounts receivable, net (note 8)	28,204,000	27,780,000
Refundable income taxes	923,000	1,349,000
Other current assets (notes 7 and 14)	6,255,000	5,419,000
Total current assets	<u>35,857,000</u>	<u>36,027,000</u>
Property and equipment, net of accumulated depreciation and amortization (notes 3, 4 and 5)	59,697,000	58,090,000
Software, net of accumulated amortization of \$4,355,000 in 1994 and \$3,123,000 in 1993 (note 2)	5,113,000	4,627,000
Excess of cost over fair value of net assets acquired, net of accumulated amortization of \$1,260,000 in 1994 and \$1,099,000 in 1993	2,716,000	2,924,000
Investment in and advances to joint venture (note 8)	3,974,000	2,547,000
Other assets (notes 5, 10 and 14)	<u>16,021,000</u>	<u>8,626,000</u>
	<u><u>\$123,378,000</u></u>	<u><u>112,841,000</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term notes payable (note 4)	500,000	-
Current installments of long-term debt (note 4)	3,046,000	1,255,000
Trade accounts payable (note 8)	3,006,000	4,746,000
Accrued expenses:		
Interest	609,000	684,000
Payroll and payroll related	2,073,000	3,469,000
Other (note 8)	3,315,000	3,154,000
Advances from customers	<u>346,000</u>	<u>1,630,000</u>
Total current liabilities	<u>12,895,000</u>	<u>14,938,000</u>
Long-term debt, excluding current installments (note 4)	34,992,000	33,237,000
Deferred income taxes (note 7)	5,734,000	5,008,000
Deferred revenue	169,000	265,000
Redeemable common stock (note 10)	7,692,000	7,222,000
Stockholders' equity (notes 6 and 10):		
Preferred stock	-	-
Common stock	1,049,000	1,029,000
Additional paid-in capital	25,672,000	23,743,000
Retained earnings	38,562,000	30,635,000
Foreign currency translation adjustment	(818,000)	(668,000)
Treasury stock, at cost	<u>(2,569,000)</u>	<u>(2,568,000)</u>
Total stockholders' equity	61,896,000	52,171,000
Commitments and contingencies (notes 4, 5, 8, 9, 10 and 13)	<u><u>\$123,378,000</u></u>	<u><u>112,841,000</u></u>

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF EARNINGS

Years ended March 31, 1994, 1993 and 1992

	1994	1993	1992
Revenue (notes 8, 10 and 11)	\$151,669,000	115,827,000	90,905,000
Operating costs and expenses:			
Salaries and benefits	65,924,000	57,796,000	48,868,000
Computer, communications and other equipment	27,284,000	22,580,000	14,695,000
Data costs	17,356,000	1,103,000	—
Other operating costs and expenses	25,841,000	22,654,000	21,246,000
Total operating costs and expenses	<u>136,405,000</u>	<u>104,133,000</u>	<u>84,809,000</u>
Income from operations	15,264,000	11,694,000	6,096,000
Other income (expense):			
Interest expense	(2,770,000)	(2,429,000)	(2,639,000)
Other, net (note 8)	939,000	903,000	(212,000)
	<u>(1,831,000)</u>	<u>(1,526,000)</u>	<u>(2,851,000)</u>
Earnings before income taxes	13,433,000	10,168,000	3,245,000
Income taxes (note 7)	5,036,000	3,938,000	1,102,000
Net earnings	<u>\$ 8,397,000</u>	<u>6,230,000</u>	<u>2,143,000</u>
Earnings per share	<u>.77</u>	<u>.60</u>	<u>.22</u>
Weighted average shares outstanding	<u>10,920,000</u>	<u>10,384,000</u>	<u>9,528,000</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended March 31, 1994, 1993 and 1992

	Common stock		Additional paid-in capital
	Number of shares	Amount	
Balances at March 31, 1991	9,584,188	\$ 958,000	18,389,000
Sale of common stock	300,302	30,000	1,815,000
Tax benefit of stock options exercised	—	—	221,000
Purchase of treasury stock	—	—	—
Translation adjustment	—	—	—
Net earnings	—	—	—
 Balances at March 31, 1992	9,884,490	988,000	20,425,000
Sale of common stock	401,330	41,000	2,482,000
Issuance of common stock	—	—	—
warrants (note 10)	—	—	135,000
Tax benefit of stock options exercised	—	—	701,000
Purchase of treasury stock	—	—	—
Issuance of treasury stock for employee awards	—	—	—
Accretion on redeemable common stock (note 10)	—	—	—
Translation adjustment	—	—	—
Net earnings	—	—	—
 Balances at March 31, 1993	10,285,820	1,029,000	23,743,000
Sale of common stock	200,212	20,000	1,421,000
Tax benefit of stock options exercised	—	—	483,000
Purchase of treasury stock	—	—	—
Issuance of treasury stock for employee awards	—	—	9,000
Issuance of treasury stock to retirement savings plan	—	—	16,000
Accretion on redeemable common stock (note 10)	—	—	—
Translation adjustment	—	—	—
Net earnings	—	—	—
 Balances at March 31, 1994	10,486,032	\$1,049,000	25,672,000

See accompanying notes to consolidated financial statements.

Retained earnings	Foreign currency translation adjustment	Treasury stock		Total stockholders' equity (note 6)
		Number of shares	Amount	
24,449,000	1,030,000	(70,146)	\$ (470,000)	44,356,000
—	—	—	—	1,845,000
—	—	—	—	221,000
—	—	(138,098)	(903,000)	(903,000)
—	(238,000)	—	—	(238,000)
<u>2,143,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,143,000</u>
26,592,000	792,000	(208,244)	(1,373,000)	47,424,000
—	—	—	—	2,523,000
—	—	—	—	135,000
—	—	—	—	701,000
—	—	(148,454)	(1,212,000)	(1,212,000)
—	—	2,474	17,000	17,000
(2,187,000)	—	—	—	(2,187,000)
—	(1,460,000)	—	—	(1,460,000)
<u>6,230,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,230,000</u>
30,635,000	(668,000)	(354,224)	(2,568,000)	52,171,000
—	—	—	—	1,441,000
—	—	—	—	483,000
—	—	(1,078)	(20,000)	(20,000)
—	—	850	6,000	15,000
—	—	1,686	13,000	29,000
(470,000)	—	—	—	(470,000)
—	(150,000)	—	—	(150,000)
<u>8,397,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,397,000</u>
<u>38,562,000</u>	<u>(818,000)</u>	<u>(352,766)</u>	<u>\$ (2,569,000)</u>	<u>61,896,000</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 1994, 1993 and 1992

	1994	1993	1992
Cash flows from operating activities:			
Net earnings	\$ 8,397,000	6,230,000	2,143,000
Non-cash operating activities:			
Depreciation and amortization	19,397,000	16,083,000	9,379,000
Loss (gain) on disposal of assets	44,000	(248,000)	1,041,000
Equity in earnings of joint venture (note 8)	(811,000)	(511,000)	(316,000)
Deferred taxes	1,492,000	1,215,000	(267,000)
Other, net	787,000	401,000	50,000
Changes in operating assets and liabilities:			
Accounts receivable	(5,661,000)	(8,920,000)	2,944,000
Other assets	2,282,000	(3,228,000)	166,000
Accounts payable and other current liabilities	(1,337,000)	2,969,000	(1,366,000)
Net cash provided by operating activities	<u>24,590,000</u>	<u>13,991,000</u>	<u>13,774,000</u>
Cash flows from investing activities:			
Sale of equipment and assets held for sale	118,000	1,522,000	659,000
Acquisition and development of software	(1,718,000)	(764,000)	(1,514,000)
Capital expenditures	(27,325,000)	(28,787,000)	(7,218,000)
Advances to joint venture	(616,000)	(876,000)	(624,000)
Net cash received from purchase and sale of joint venture	—	—	1,100,000
Net cash included in disposition (note 14)	(1,471,000)	—	—
Net cash used by investing activities	<u>(31,012,000)</u>	<u>(28,905,000)</u>	<u>(7,597,000)</u>
Cash flows from financing activities:			
Proceeds from current and long-term debt	5,442,000	10,774,000	—
Payments of long-term debt	(1,446,000)	(1,283,000)	(3,333,000)
Sale of common stock	1,441,000	2,523,000	1,845,000
Purchase of treasury stock	(20,000)	(1,212,000)	(903,000)
Net cash provided (used) by financing activities	<u>5,417,000</u>	<u>10,802,000</u>	<u>(2,391,000)</u>
Effect of exchange rate changes on cash	1,000	(107,000)	(8,000)
Net increase (decrease) in cash and short-term cash investments	<u>(1,004,000)</u>	<u>(4,219,000)</u>	<u>3,778,000</u>
Cash and short-term cash investments at beginning of year	1,479,000	5,698,000	1,920,000
Cash and short-term cash investments at end of year	<u>\$ 475,000</u>	<u>1,479,000</u>	<u>5,698,000</u>
Supplemental cash flow information:			
Noncash investing and financing activities:			
Capital lease obligations incurred	\$ 500,000	223,000	144,000
Noncash proceeds from disposition (note 14)	12,672,000	—	—
Redeemable common stock, warrants and purchase liability issued in asset acquisition (note 10)	—	5,660,000	—
Sale of assets held for sale through transfer of the mortgage to the purchaser	—	—	2,836,000
Cash paid during the year for:			
Interest	2,845,000	2,221,000	2,445,000
Income taxes	3,128,000	2,676,000	785,000

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1994, 1993 and 1992

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

The Company provides information management technology and other related services, primarily for marketing applications. Operating units of the Company provide software products, fulfillment services, computerized list, postal and database services, and outsourcing and facilities management services in both the United States and United Kingdom.

(b) Consolidation Policy

The consolidated financial statements include the accounts of Acxiom Corporation and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company carries its 50% interest in Infobase Services ("Infobase") on the equity method (see note 8).

(c) Revenue Recognition

Revenues from the production of direct marketing lists are recognized when shipped. Revenues from data processing and outsourcing and facilities management services are recognized when the services are performed. Revenues from software licenses are recognized primarily when the software is installed or when the Company fulfills its obligations under the sales contract. The Company recognizes revenue from long-term contracts involving significant production, modification, or customization of software using the percentage-of-completion method, based on performance milestones specified in the contract where such milestones fairly reflect progress toward contract completion. In other instances, progress toward completion is based on individual contract costs incurred to date compared with total estimated contract costs. Revenues on large bulk mail services contracts are recognized as the service is performed by applying contract prices to units completed. Revenues associated with the promotional fulfillment service are recognized based on usage of the service. Billed but unearned portions of revenues are reported as deferred revenues.

In December 1991, the American Institute of Certified Public Accountants issued Statement of Position 91-1 (SOP 91-1) entitled "Software Revenue Recognition." The Company adopted the provisions of SOP 91-1 effective April 1, 1992. The adoption of this SOP did not have a material effect on the Company's financial statements.

(d) Accounts Receivable

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade receivables. All of the Company's receivables are from a large number of customers located throughout the U.S. and U.K. Accordingly, the Company's credit risk is affected by general economic conditions. Although the Company has several large individual customers, concentrations of credit risk are limited because of the diversity of the Company's customers.

Trade accounts receivable are presented net of allowances for doubtful accounts and credits of \$1,086,000 and \$1,049,000 in 1994 and 1993, respectively.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets as follows:

	Estimated useful lives
Buildings and improvements	5 - 30 years
Office furniture and equipment	3 - 10 years
Data processing equipment	2 - 10 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Gains or losses resulting from sales or retirements are recorded as incurred, at which time related costs and accumulated depreciation are removed from the accounts. Maintenance and repairs are charged to expense as incurred. Property held under capitalized lease arrangements is included in property and equipment, and the associated liabilities are included with long-term debt. Property and equipment taken out of service and held for sale is recorded at net realizable value and depreciation is ceased.

(f) Software and Research and Development Costs

Capitalized and purchased software costs are amortized on a straight-line basis over the remaining estimated economic life of the product, which is greater than the amortization that would be recorded by using the ratio of gross revenues for a product to total current and anticipated future gross revenues for that product. Research and development costs incurred prior to establishing technological feasibility of software products are charged to operations as incurred.

(g) Excess of Cost Over Fair Value of Net Assets Acquired

The excess of acquisition costs over the fair values of net assets acquired in business combinations treated as purchase transactions are being amortized on a straight-line basis over 25 years from acquisition dates.

(h) Income Taxes

The Company and its domestic subsidiaries file a consolidated Federal income tax return. The Company's foreign subsidiaries file a combined income tax return in the United Kingdom.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109"). Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Effective April 1, 1992, the Company adopted Statement 109. The Company previously applied the asset and liability method of Statement No. 96. The adoption of Statement No. 109 did not have a material effect on the Company's financial statements.

(i) Foreign Currency Translation

The balance sheets of the Company's foreign subsidiaries are translated at year-end rates of exchange, and the statements of earnings are translated at the weighted average exchange rate for the period. Gains or losses resulting from translating foreign currency financial statements are accumulated in a separate component of stockholders' equity.

(j) Earnings Per Share

Earnings per share computations are based upon the weighted average number of shares outstanding as adjusted for the two-for-one stock split described in note 6. The weighted average number of shares outstanding includes redeemable common shares and the dilutive effect of stock options and warrants which are considered common stock equivalents (see note 10).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(k) Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers highly liquid, short-term investments with original maturities of three months or less when acquired to be cash equivalents.

(l) Reclassifications

Certain prior year amounts have been reclassified to conform to current year classification. Such reclassifications had no effect on net earnings.

(2) Software and Research and Development Costs

The Company recorded amortization expense related to internally developed and purchased computer software of \$1,232,000, \$1,240,000, and \$785,000 in 1994, 1993 and 1992, respectively. Additionally, research and development costs of \$5,912,000, \$6,757,000, and \$5,623,000 were charged to operations during 1994, 1993 and 1992, respectively.

(3) Property and Equipment

Property and equipment are summarized as follows:

	1994	1993
Land	\$ 1,208,000	1,697,000
Buildings and improvements	31,685,000	32,303,000
Office furniture and equipment	7,821,000	15,428,000
Data processing equipment	<u>62,112,000</u>	<u>51,519,000</u>
	102,826,000	100,947,000
Less accumulated depreciation and amortization	43,129,000	42,857,000
	<u>\$ 59,697,000</u>	<u>58,090,000</u>

(4) Long-Term Debt

Long-term debt consists of the following:

	1994	1993
9.75% Senior Notes, due May 1, 2000, payable in annual installments of \$2,143,000 commencing May 1, 1994; interest is payable semiannually	\$ 15,000,000	15,000,000
Unsecured revolving credit agreement	15,713,000	10,774,000
8.94% note payable due in monthly installments of principal and interest of \$50,000 with remaining balance due June 30, 1997; collateralized by real estate	4,670,000	4,848,000
Other notes and capital lease obligations payable (notes 5 and 10)	<u>2,655,000</u>	<u>3,870,000</u>
Total long-term debt	38,038,000	34,492,000
Less current installments	<u>3,046,000</u>	<u>1,255,000</u>
Long-term debt, excluding current installments	<u>\$ 34,992,000</u>	<u>33,237,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The unsecured credit agreement provides for revolving loans in amounts of up to \$30,000,000. The terms of the credit agreement provide for interest at the prime rate (or, at the Company's option, at other alternative market rates). The effective rate at March 31, 1994 was 5.7%. The agreement requires a commitment fee equal to $\frac{3}{16}$ of 1% on the average unused portion of the loan. The credit agreement expires on August 31, 1996. The Company also has another unsecured line of credit amounting to \$1,000,000, of which \$500,000 was outstanding at March 31, 1994. The other unsecured line expires in June 1994 and bears interest at prime minus $\frac{1}{2}$ of 1%. The effective rate at March 31, 1994 was 5.5%.

Under the terms of certain of the above borrowings, the Company is required to maintain certain tangible net worth levels and working capital, debt to equity and debt service coverage ratios. The aggregate maturities of long-term debt for the five years ending March 31, 1999 are as follows: 1995, \$3,046,000; 1996, \$2,977,000; 1997, \$18,573,000; 1998, \$6,686,000; and 1999, \$2,209,000.

(5) Leases

The Company leases data processing equipment, office furniture and equipment, land and office space under noncancelable operating leases and capital leases. Total property and accumulated amortization held under capital leases amount to \$1,583,000 and \$1,445,000, respectively, at March 31, 1994. Amortization of property held under capital leases is included in depreciation expense. Future minimum lease payments under noncancelable operating leases and capital leases as of March 31, 1994 are as follows:

	Capital leases	Operating leases
Year ending March 31:		
1995	\$119,000	1,249,000
1996	54,000	1,283,000
1997	3,000	932,000
1998	—	936,000
1999	—	719,000
Thereafter (through 2039)	<hr/>	<hr/>
	176,000	5,186,000
Total capital lease payments	<hr/>	
Less amount representing interest	<hr/>	16,000
Present value of minimum capital lease payments (note 4)	<hr/>	160,000
Less current installments of obligations under capital leases	<hr/>	102,000
Obligations under capital leases, excluding current installments	<hr/>	\$ 58,000

Total rental expense each year on operating leases was as follows:

	1994	1993	1992
Gross rentals (note 8)	\$2,116,000	2,405,000	3,130,000
Sublease rentals	154,000	97,000	152,000
	<hr/>	<hr/>	<hr/>
	\$1,962,000	2,308,000	2,978,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The Company is leasing certain property held for sale to unrelated third parties. Rent payments included in other income were \$121,000 and \$142,000 for the years ended March 31, 1994 and 1993, respectively. Future minimum rentals to be received by the Company are approximately \$200,000 per year through 1999. The leased property has a carrying value of \$1,540,000 and is included in other assets on the consolidated balance sheet at March 31, 1994.

(6) Stockholders' Equity

On November 4, 1992 the Company's Board of Directors declared a two-for-one stock split of its common stock, effected in the form of a stock dividend, which was distributed on November 30, 1992 to shareholders of record on November 16, 1992. All share and per share data in the financial statements have been restated to give effect to the stock split.

The Company has 20,000,000 authorized shares of \$.10 par value common stock and 1,000,000 shares of authorized but unissued \$1.00 par value preferred stock. The Board of Directors of the Company may designate the relative rights and preferences of the preferred stock when and if issued. Such rights and preferences could include liquidation preferences, redemption rights, voting rights and dividends and the shares could be issued in multiple series with different rights and preferences. The Company currently has no plans for the issuance of any shares of preferred stock.

The Company has for its U.S. employees a Key Employee Stock Option Plan ("Plan") for which 2,800,000 shares of the Company's common stock have been reserved. The Company has for its U.K. employees a U.K. Share Option Scheme ("Scheme") for which 1,400,000 shares of the Company's common stock have been reserved. These plans generally provide that the option price will be at least the fair market value at the time of the grant, except that the option price of nonqualified options granted under the Plan is determined by the Board of Directors. Any options granted under the plans must be exercised within 10 years after the date of the option. At March 31, 1994, 705,501 shares and 1,241,695 shares are available for future grants under the Plan and the Scheme, respectively.

Activity in stock options was as follows:

	Number of shares	Options price per share	Number of shares exercisable
Outstanding at March 31, 1991	1,109,588	\$ 4.00 – 10.50	770,052
Granted	178,800	5.25 – 7.25	
Exercised	(244,942)	4.00 – 7.32	
Terminated	(49,118)	6.38 – 10.25	
Outstanding at March 31, 1992	994,328	4.00 – 10.50	675,140
Granted	689,909	12.50 – 25.00	
Exercised	(371,800)	4.00 – 10.50	
Terminated	(46,950)	6.38 – 10.25	
Outstanding at March 31, 1993	1,265,487	4.00 – 25.00	320,088
Granted	85,839	23.50 – 47.00	
Exercised	(174,408)	4.00 – 10.25	
Terminated	(26,804)	4.00 – 25.00	
Outstanding at March 31, 1994	1,150,114	5.67 – 47.00	257,211

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The Company maintains an employee stock purchase plan which provides for the purchase of shares of common stock by employees through payroll deductions which may not exceed 10% of employee compensation. The price of the stock purchased under the plan is 85% of the market price as of the date the stock is purchased for the employee by the Trustee of the plan. There were 25,803, 29,530, and 55,360 shares purchased under the plan during the years ended March 31, 1994, 1993 and 1992, respectively.

(7) Income Taxes

Total income tax expense was allocated as follows:

	1994	1993	1992
Income from continuing operations	\$5,036,000	3,938,000	1,102,000
Stockholders' equity, for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(483,000)	(701,000)	(221,000)
	\$4,553,000	3,237,000	881,000

Income tax expense attributable to income from continuing operations consists of:

	1994	1993	1992
Current expense (benefit):			
Federal	\$2,841,000	2,199,000	1,731,000
Foreign	72,000	(170,000)	(523,000)
State	631,000	694,000	161,000
	3,544,000	2,723,000	1,369,000
Deferred expense (benefit):			
Federal	1,778,000	1,024,000	(251,000)
Foreign	(411,000)	-	-
State	125,000	191,000	(16,000)
	1,492,000	1,215,000	(267,000)
Total tax expense	\$5,036,000	3,938,000	1,102,000

The actual income tax expense attributable to income from continuing operations differs from the expected tax expense (computed by applying the U.S. Federal corporate tax rate of 35% for 1994 and 34% for 1993 and 1992 to income before income taxes) as follows:

	1994	1993	1992
Computed expected tax expense	\$4,702,000	3,457,000	1,103,000
Increase (reduction) in income taxes resulting from:			
State income taxes, net of			
Federal income tax benefit	491,000	584,000	96,000
Research and development credits	(259,000)	(135,000)	(287,000)
Other	102,000	32,000	190,000
	\$5,036,000	3,938,000	1,102,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 1994 and 1993 are presented below.

	1994	1993
Deferred tax assets:		
Accrued expenses not deductible for tax purposes	\$ 253,000	405,000
Investment in Infobase, principally due to differences in basis for tax and financial reporting purposes	202,000	284,000
United Kingdom net operating loss carryforward	392,000	-
Other	164,000	496,000
Total gross deferred tax assets	<u>1,011,000</u>	<u>1,185,000</u>
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	(3,693,000)	(2,985,000)
Capitalized software and other costs expensed as incurred for tax purposes	<u>(2,917,000)</u>	<u>(2,307,000)</u>
Total gross deferred tax liabilities	<u>(6,610,000)</u>	<u>(5,292,000)</u>
Net deferred tax liability	<u><u>\$ (5,599,000)</u></u>	<u><u>(4,107,000)</u></u>

The Company believes its substantial history of profitability and taxable income and its utilization of tax planning sufficiently supports the value of the deferred tax assets. Accordingly, the Company has not recorded a valuation allowance as all deferred tax assets are more likely than not to be recovered. Included in other current assets are current deferred tax assets of \$135,000 and \$901,000 at March 31, 1994 and 1993, respectively.

(8) Related Party Transactions

The Company leases certain equipment from a business partially owned by an officer. Rent expense paid under this lease during the years ended March 31, 1994, 1993 and 1992 was approximately \$225,000, \$137,000 and \$133,000, respectively. Additionally, the Company has guaranteed a loan executed by an officer and the business partially owned by the officer to purchase the leased equipment. The loan amount was approximately \$1,600,000 at March 31, 1994.

In July, 1991, the Company purchased the remaining 50% interest in Infobase, a joint venture in which the Company was a 50% participant, and the remaining 20% interest of the Company's subsidiary, Edge Consulting, Inc. ("Edge"), which was owned by other parties. The Company paid an aggregate cash price of \$1,400,000 for these interests, as well as incurring liabilities totaling \$650,000 to the sellers, of which \$500,000 is outstanding at March 31, 1994.

In September, 1991 the Company entered into a new joint venture which combines the operations of Infobase and Edge. In connection with the joint venture, the Company sold a 50% interest in the assets of Edge and Infobase to the other venturer for \$2,500,000, which was approximately the carrying value of the assets. The Company has also entered into a software license agreement with the other venturer whereby the Company has granted the other venturer a license for certain software owned and developed by the Company. The Company recognized revenue in 1992 of \$2,500,000 from the granting of the license. The Company and the other venturer have each advanced to the joint venture funds for the development of name-specific databases for use in direct marketing. The Company's outstanding loans to the joint venture amount to \$2,116,000 and \$1,500,000 at March 31, 1994 and 1993, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Included in revenue is \$2,236,000, \$2,197,000 and \$1,236,000 from sales of services to Infobase in 1994, 1993 and 1992, respectively. Infobase also reimbursed the Company for processing, programming, and facility costs amounting to \$5,042,000, \$3,998,000, and \$2,273,000 in 1994, 1993 and 1992, respectively. Commissions paid to Infobase for list enhancement services totalled \$6,518,000, \$4,211,000 and \$3,917,000 in 1994, 1993 and 1992, respectively. Included in other income is the Company's 50% share of the earnings of the venture amounting to \$811,000, \$511,000, and \$316,000 in 1994, 1993 and 1992, respectively. The Company had trade receivables from Infobase of \$581,000 and \$646,000 and trade payables to Infobase of \$706,000 and \$919,000 at March 31; 1994 and 1993, respectively.

(9) Retirement Plans

The Company has a retirement savings plan which covers substantially all domestic employees. The Company matches 50% of the employee's salary deferred contributions up to 6% annually and may contribute amounts to the plan from the Company's earnings at the discretion of the Board of Directors. Company contributions amounted to approximately \$417,000, \$383,000 and \$308,000 in 1994, 1993 and 1992, respectively.

(10) Data Center Agreement

Effective August 31, 1992, the Company entered into a data center management agreement with Trans Union Corporation ("Trans Union"). Under the agreement, the Company will manage Trans Union's data processing center for annual fees of approximately \$20 million for the existing base capacity, with revenues to be adjusted in the future for changes in Trans Union's capacity requirements. Revenues for the years ended March 31, 1994 and 1993, were \$20,612,000 and \$11,229,000, respectively. Trans Union has the right to terminate the agreement at the end of 2½ years. If Trans Union does not elect to terminate at 2½ years the agreement will continue for an additional 7½ years.

At closing, the Company acquired certain Trans Union data center assets for \$6,698,000, consisting of \$1,038,000 in cash, a purchase liability of \$490,000 payable in two equal annual installments, 480,000 shares of newly-issued redeemable common stock valued at \$5,035,000 and a warrant to purchase additional shares of common stock valued at \$135,000. Trans Union may cause the Company to repurchase the stock between years 2½ and 5 at the higher of \$11.25 per share or fair market value. The stock is callable by the Company during the same period at \$16.875 per share. The difference between the assigned value of the redeemable common stock and the estimated redemption value per share is being accreted through charges to retained earnings.

The warrant, which expires on August 31, 2000, entitles Trans Union to acquire up to 1,000,000 additional shares of newly issued common stock. The exercise price for the warrant stock is \$11.25 per share in years one through five of the agreement, \$12.25 in year six, \$13.25 in year seven and \$14.25 in year eight. The first 250,000 shares became exercisable as of closing and, if Trans Union elects to terminate the agreement after 2½ years and the Company is not in default, are callable by the Company at \$16.875 per share through year five, \$17.875 in year six, \$18.875 in year seven, and \$19.875 per share in year eight. The remaining 750,000 shares (for which there are no call provisions) will become exercisable upon Trans Union's election at year 2½ to go forward with the second phase (7½ years) of the agreement. Trans Union is precluded from exercising the warrant to the extent that the shares acquired thereunder would cause its percentage ownership of the Company's common stock acquired pursuant to the agreement to exceed 10% of the Company's then issued and outstanding common stock. Based on shares outstanding at March 31, 1994, Trans Union would be entitled to purchase approximately 395,000 additional shares after the first 2½ years of the agreement.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

In addition to the assets acquired, the Company has assumed certain other equipment leases, software licenses, and service agreement obligations of Trans Union. At March 31, 1994, the Company's remaining assumed obligations are \$3,474,000, \$3,201,000, and \$185,000 for the years ended March 31, 1995, 1996 and 1997, respectively. If Trans Union elects to terminate the agreement after 2½ years, Trans Union will assume any remaining leases that were assumed by the Company at contract inception. Data center assets purchased by the Company at inception will be sold back to Trans Union at the greater of the then fair value or book value (calculated using Trans Union's original cost and accounting methods). For data center assets purchased by the Company after contract inception, Trans Union will have the option of purchasing the assets at the Company's net book value or leasing the assets from the Company over 2 to 3 year terms at the then fair market rates.

Costs associated with the contract in excess of estimated amounts recoverable at the end of the initial contract term are being amortized over the initial term of the agreement. Included in other assets on the consolidated balance sheet at March 31, 1994 and 1993 are unamortized costs in the amount of \$2,370,000 and \$3,147,000, respectively.

Should Trans Union elect to continue the agreement, the Company will be required to pay Trans Union an additional cash payment of \$752,000 which, together with the value of the warrant for additional shares which becomes exercisable at that time, will be amortized over the remaining term of the contract.

(11) Major Customers

In 1994, the Company had two major customers who accounted for more than 10% of revenue.

Trans Union Corporation accounted for revenue of \$20,612,000 (13.6%) and Allstate Insurance Company accounted for revenue of \$19,145,000 (12.6%). In 1992, Citicorp accounted for revenue of \$11,702,000 (12.9%). In 1993, the Company had no customers who accounted for more than 10% of revenue.

(12) Foreign Operations

The following table shows financial information by geographic area for the years 1994, 1993 and 1992.

	United States	United Kingdom	Consolidated
1994:			
Revenue	\$ 135,495,000	16,174,000	151,669,000
Earnings (loss) before income taxes	14,780,000	(1,347,000)	13,433,000
Net earnings (loss)	9,405,000	(1,008,000)	8,397,000
Total assets	113,169,000	10,209,000	123,378,000
Total tangible assets	113,169,000	7,493,000	120,662,000
Total liabilities (including deferred credits and redeemable common stock)	57,883,000	3,599,000	61,482,000
Total equity	55,286,000	6,610,000	61,896,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

	United States	United Kingdom	Consolidated
1993:			
Revenue	\$ 99,220,000	16,607,000	115,827,000
Earnings (loss) before income taxes	10,790,000	(622,000)	10,168,000
Net earnings (loss)	6,682,000	(452,000)	6,230,000
Total assets	101,988,000	10,853,000	112,841,000
Total tangible assets	101,988,000	7,929,000	109,917,000
Total liabilities (including deferred credits and redeemable common stock)	57,952,000	2,718,000	60,670,000
Total equity	44,036,000	8,135,000	52,171,000
1992:			
Revenues	\$ 76,649,000	14,256,000	90,905,000
Earnings (loss) before income taxes	5,214,000	(1,969,000)	3,245,000
Net earnings (loss)	3,589,000	(1,446,000)	2,143,000
Total assets	73,221,000	14,159,000	87,380,000
Total tangible assets	73,221,000	10,590,000	83,811,000
Total liabilities (including deferred credits and redeemable common stock)	35,692,000	4,264,000	39,956,000
Total equity	37,529,000	9,895,000	47,424,000

13) Contingencies

On March 9, 1994, the chapter 11 bankruptcy trustee for CIS Corporation ("CIS") initiated suit in the United States Bankruptcy Court for the Southern District of New York seeking to recover certain computer equipment, together with alleged past due lease payments, taxes and interest amounting to approximately \$2,500,000. The Company had entered into several capital leases with CIS prior to CIS declaring bankruptcy in January 1989. The majority of the amounts sought by CIS relate to continuing lease, tax and interest charges assessed after the initial lease terms expired and after the Company had exercised its options to purchase the equipment, after which time no lease payments were due under the terms of the lease agreements. The Company intends to defend the case on the merits, based upon CIS' failure to (1) deliver title, (2) make scheduled sub-lease payments to the Company, (3) properly record and acknowledge lease payments actually paid by Acxiom which CIS claims were not paid, and (4) remit property taxes to the proper authorities after the Company paid such taxes to CIS. Under current circumstances, no determination can be made as to the ultimate outcome of the litigation or as to the necessity for any provision, in the accompanying financial statements, for any liability that may result from a final adjudication.

The Company is involved in other various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or its expected future consolidated results of operations.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(14) Dispositions

The Company sold substantially all assets of its mailing services operating unit, Axiom Mailing Services ("AMS"), in exchange for the assumption of \$3,045,000 in liabilities, \$4,500,000 in cash, a \$4,127,000 mortgage note receivable in monthly installments of \$31,000, including interest at 6.5%, and due in full on May 19, 2001, and \$1,000,000 of preferred stock issued by the buyer. The sale closed May 20, 1994 effective as of March 31, 1994. The preferred stock is redeemable on May 19, 2004 and pays quarterly dividends of 5% per annum. At March 31, 1994, the \$4,500,000 receivable is included in other current assets and the \$4,127,000 note and \$1,000,000 preferred stock is included in other assets. Additionally, the Company sold the buyer a non-exclusive, perpetual software license to use certain of the Company's database marketing and data processing software. The license fee of \$1,550,000 is payable monthly over five years and is included in other assets at March 31, 1994. The effect of these transactions on consolidated net earnings for the year ended March 31, 1994 was not significant. For the year ended March 31, 1994, AMS revenues were \$14,257,000.

Subsequent to March 31, 1994, the Company entered into a letter of intent with an entity owned by an officer and principal shareholder of the Company to sell certain U.S. assets of its BSA operating unit for cash. The sale is subject to approval by the disinterested members of the Board of Directors. The Company does not expect this transaction to have a material impact on the financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Acxiom Corporation:

We have audited the accompanying consolidated balance sheets of Acxiom Corporation and subsidiaries as of March 31, 1994 and 1993, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended March 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Acxiom Corporation and subsidiaries as of March 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 1994, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

Little Rock, Arkansas

May 20, 1994

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MARKET INFORMATION

Per share data is restated to reflect a two-for-one stock split by means of a common stock dividend during fiscal 1993.

Stock Prices

The Company's Common Stock is traded on the national Market System of NASDAQ under the symbol "ACXM".

The following table sets forth for the periods indicated the high and low closing sale prices of the Common Stock.

Fiscal 1994	High	Low	Fiscal 1993	High	Low
Fourth Quarter	\$24 $\frac{1}{4}$	\$20 $\frac{3}{4}$	Fourth Quarter	\$18 $\frac{1}{2}$	\$12 $\frac{1}{2}$
Third Quarter	24 $\frac{1}{4}$	20	Third Quarter	18 $\frac{3}{4}$	11 $\frac{1}{8}$
Second Quarter	21 $\frac{3}{4}$	16 $\frac{1}{4}$	Second Quarter	13 $\frac{1}{4}$	7 $\frac{1}{8}$
First Quarter	19 $\frac{1}{2}$	14 $\frac{3}{4}$	First Quarter	8	7 $\frac{1}{4}$

During the period beginning April 1, 1994, and ending May 24, 1994 the high closing sales price per share for the Company's Common Stock as reported by NASDAQ was 21 $\frac{1}{2}$, and the low closing sales price per share was 18 $\frac{1}{2}$. On May 24, 1994, the closing price per share was 21 $\frac{1}{2}$.

Shareholders of Record

The approximate number of shareholders of record of the Company's Common Stock as of May 24, 1994 was 767.

Dividends

The Company has never paid cash dividends on its Common Stock. The Company presently intends to retain earnings to provide funds for its business operations and for the expansion of its business. Thus, it does not anticipate paying cash dividends in the foreseeable future.



CORPORATE ORGANIZATION

Directors

Dr. Ann H. Die

President

Hendrix College

William T. Dillard, II

*President and Chief Operating Officer
Dillard Department Stores, Inc.*

Harry C. Gambill

*President and Chief Executive Officer
Trans Union Corporation*

Rodger S. Kline

*Executive Vice President, Chief
Operating Officer and Treasurer
Axiom Corporation*

Charles D. Morgan, Jr.

*Chairman of the Board and President
Axiom Corporation*

Walter V. Smiley

President

Smiley Investment Corporation

James T. Womble

Executive Vice President

Axiom Corporation

Officers

Jennifer T. Barrett

Senior Vice President

Phil Bartos

Senior Vice President

Robert S. Bloom

Chief Financial Officer

Stephen H. Brighton

Senior Vice President

C. Alex Dietz

Senior Vice President

and Chief Information Officer

Jerry C.D. Ellis

Senior Vice President

Cathy D. Engelkes

Vice President

Alan W. Holland

Vice President

Catherine L. Hughes

General Counsel and Secretary

Rodger S. Kline

*Executive Vice President, Chief
Operating Officer and Treasurer*

Charles D. Morgan, Jr.

Chairman of the Board and President

Thomas B. Walker, Jr.

Senior Vice President

Paul Williams

Vice President

James T. Womble

Executive Vice President

Paul Zaffaroni

Senior Vice President

CORPORATE INFORMATION

Form 10-K Available:

A copy of the Company's latest Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available upon written request to the Chief Financial Officer, 301 Industrial Boulevard, Conway, Arkansas 72032-7103, or by calling (501)336-1321.

Transfer Agent and Registrar:

*The First National Bank of Chicago
One N. State St., 9th Floor
Chicago, Illinois 60602*

Auditors:

*KPMG Peat Marwick
1400 Worthen Bank Building
200 W. Capitol
Little Rock, Arkansas 72201*

Annual Meeting:

The Annual Meeting of Shareholders will be held at Acxiom Corporate Headquarters, Conway, Arkansas, July 27, 1994 at 10:00 a.m.



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INITIAL SCREENING OF PURCHASING CONSULTANTS

Appendix

Initial Screening of Purchasing Consultants

ABOTELA INTERNATIOANL INC.
ACCU-PURCH, INC.
ACQUISITION LOGISTIC ENGINERING
ANCHOR SEAFOOD
ARTHUR SEGAL
BENTON REPORTING SERVICE
BID INFORMATION DATA SYSTEMS
BRANNON & WARREN MEDIA
BRITISH AMERICAN CONSULTING GROUP
CAPITAL BUSINESS CONSULTANTS
CARMEN SARACENO
CASSADAY ASSOCIATES
CENTER FOR INVENTORY MANAGEMENT
CHILDREN'S APPAREL SERVICE
CISARIK & ASSOCIATES
COLDWELL CONSULTING ASSOCIATES
COLLABORATION CONTRACT CORPORATION
CONSULTANTS INC.
CREEKSIDE MANAGEMENT RESOURCE
DELGADO ASSOCIATES
DELTA VENTURES
DICKEY DYER MANAGEMENT, INC.
DOLLAR GROUP INC.
E. STEPHEN HUNT
EISEN GROUP
ELLIS PROPERTY MANAGEMENT
ENVIRONMENTAL SYSTEMS INC.
EQUIPMENT DESIGN & SUPPLY INC.
FERRO MARKETING INC.
FOOTLIK AND ASSOCIATES
FRANCIS P. HARRISON

Appendix (Con't)**Initial Screening of Purchasing Consultants**

HARTWELL TECHNICAL SERVICES INC.
HOYER-SCHLESINGER-TURNER
HOYT MANAGEMENT CONSULTANTS
IKR CORPORATION
INDEPENDENT SHOPPING SERVICES
INDUSTRIAL PROJECT MANAGEMENT
INDUSTRIAL PURCHASING CONSULTANTS INTERNATIONAL
INGERSOLL ENGINEERS INCLORPORATED
J.P. CANON ASSOCIATES
JOHN E. EGGLESTON
KENNETH D. WEISS
KILPATRICK CONSULTING GROUP
KOENIG & ASSOCIATES
MANAGEMENT CONSULTING SERVICES, INC.
MEDIA RESEARCH PLANNING & PLACEMENT INC.
MFG 2000 SYSTEMS CONSULTING
MG SERVICES CO. INC.
NEIL FAVER MEDIA INC.
NEUMEIER ASSOCIATES, INC.
NMHA SHARE SERVICES CORPORATION
OREMCO INC.
PANOPTIC ENTERPRISES
PATRICIA E. MOODY, INC.
PHILIP W. WILSON
POWELL CONSULTING SERVICES
PRESCRIPTION PLAN SERVICE
PROCUREMENT ARTS INTERNATIONA
PROCUREMENT RESOURCES, INC.
PROFESSIONAL BUYING SERVICE
PURCHASING GROUP INC.

Appendix (Con't)**Initial Screening of Purchasing Consultants**

R.J. LEVULIS & ASSOCIATES
REGENT SALES INC.
RETAIL PHARMACY MANAGEMENT SERVICE INC.
RITTEL'S INTERNATIONAL CONSULTANT SERVICES INC.
SMALL BUSINESS MANAGEMENT SERVICES INC.
STRATEGIC RESOURCE INC.
STRYKER & ASSOCIATES
SUNHEALTH ENTERPRISES INC.
SWANDER, PACE & COMPANY
TECHNOPULP, INCORPORATED
TECHTRONICS MARKETING CORP.
THE SANDERS GROUP
TRACY-HAYDEN ASSOCIATED
TRELCON INCORPORATED
VALUE SYSTEMS INC.
VANGUARD CONSULTING
WALK HAYDEL & ASSOCIATES INC.

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INITIAL SCREENING OF PURCHASING SOFTWARE COMPANIES

Appendix

Initial Screening of Purchasing Software Companies

A2000 SYSTEMM INC.
ABACUS DATA SYSTEMS, INC.
ADACO SERVICES, INC.
ADAPTA SOFTWARE, INC.
ADVANCE BUSINESS SOFTWARE, INC.
AMERICAN BUSINESS SYSTEMS, INC.
AMERICAN SOFTWARE, INC.
AMERICAN TECH, INC.
ANDERSEN CONSULTING
APPGEN BUSINESS SOFTWARE
APPLICATIONS SYSTEMS GROUP, INC.
APPX SOFTWARE, INC.
ARMOR SYSTEMS, INC.
BELLWETHER SOFTWARE CORPORATION
BI-TECH SOFTWARE, INC.
BIS/SOUTWEST
BLINCO SYSTEMS, INC.
BOS NATIONAL, INC.
BRADLEY CO.
BREUER & COMPANY
BYTELYNE COMPUTER SYSTEMS, INC.
C-PAK CORPORATION
C.R. SMOLIN, INC.
CALIDUS SYSTEMS, INC.
CD DATA CORPORATION
CERTIFIED MANAGEMENT SOFTWARE, INC.
CHARTERHOUSE SOFTWARE CORPORATION
CHRIS SCHAFER & COMPANY
COMMAND LINE CORPORATION
COMMERCIAL DATA CORPORATION
COMPREHENSIVE COMPUTER SYSTEMS, INC.

Appendix (Con't)**Initial Screening of Purchasing Software Companies**

COMPU-SHARE, INC.
COMPUSERVE/COLLIER-JACKSON
COMPUTER ASSOCIATES INTERNATIONAL, INC.
COMPUTER MANAGEMENT & DEVELOPMENT SERVICES (CMDS)
COMPUTER RELATED SERVICES
COMPUTER SOFTWARE CONSULTANT, INC.
COMPUTRON TECHNOLOGIES COORPORATION
CONSTRUCTION SYSTEMS SOFTWARE, INC.
CONTRAX SYSTEM, INC.
COUGAR MOUNTAIN SOFTWARE
CRESTWOOD MICRO SYSTEMS, INC.
CUSTOMIZED SOFTWARE SUPPORT
DAPREX, INC.
DATA CONSULTING
DATA PRO ACCOUNTING SOFTWARE, INC.
DATAFOX SYSTEMS, INC.
DATAMAR SYSTEMS
DATAWORKS CORPORATION
DBS E FULFILLMENT SERVICES
DBS INTERNATIONAL, INC.
DECARLO PATERNITE & ASSOCIATES, INC.
DENNIS AND SCHWAB, INC. (DSI)
DEXTER & CHANEY , INC.
DIGITAL INFORMATION SYSTEMS CORPORATION, (DISC)
DPC, INC.
DUN & BRADSTREET SOFTWARE
DYNAMIC SOFTWARE
EVOLOUTION 1, INC.
FALCON SOFTWARE SERVICES, INC.
FINANCIAL PURCHASING MANAGEMENT SYSTEMS
FISCAL SYSTEM INC.

Appendix (Con't)**Initial Screening of Purchasing Software Companies**

FLEXWARE
FOGLE COMPUTING CORPORATION
FOURGEN SOFTWARE, INC.
GEMMA INTERNATIONAL, INC.
GLOBAL SOFTWARE, INC. (NC)
GREAT PLAINS SOFTWARE, INC.
GREENTREE SOFTWARE, INC.
GSI (PA)
HARMONY HOLDINGS, INC.
HARRISDATA
HUBBARD SOFTWARE INTERNATIONAL
IBES CORPORATION
IMREX COMPUTER SYSTEMS, INC.
INFISY SYSTEMS, INC.
INFO SYSTEMS
INFOFLEX, INC.
INTEGRATED SYSTEMS, INC.
INTERACTIVE SOFTWARE SERVICES INC.
INTERACTIVE SYSTEMS, INC.(MA)
INTERNATIONAL BUSINESS SYSTEMS
J. HUNT AND ASSOCIATES, INC.
J.B. MUNCEP & ASSOCIATES, INC.
J.D. EDWARDS & COMPANY
JADTEC COMPUTER GROUP
JOHN A. KEANE & ASSOCIATES
JUST IN TIME ENTERPRISE SYSTEMS, INC.
LAKE AVENUE SOFTWARE, INC.
LANDRUM SOFTWARE, INC.
LAWSON SOFTWARE
LIOCS CORPORATION
M & D SYSTEMS, INC.

Appendix (Con't)**Initial Screening of Purchasing Software Companies**

MACOLA, INC.
MANATRON, INC.
MANZANITA SOFTWARE SYSTEM
MARCOM CORPORATION
MBS (MINI BUSINESS SYSTEMS , INC.)
MCBA, INC.
MICA
MICRO ARIZALA SYSTEMS, INC.
MICRO BUSINESS APPLICATIONS, INC.
MICRO SOFTWARE SYSTEM
MICRO VERTISOFT
MIDWEST COMPUTER CENTER COMPANY
MITCHELL HUMPHREY & COMPANY
MULTIVIEW CORPORATION
NEAL NELSON & ASSOCIATES
NEBS SOFTWARE
NEWGENERATION SOFTWARE, INC.
NSC, INC.
OPEN SYSTEMS, INC.
ORACLE CORPORATION
PARA RESEARCH, INC.
PARAMETER DRIVEN SOFTWARE, INC.
PARKER SYSTEMS, INC.
PBL ASSOCIATES
PEOPLESOFIT, INC.
PHOENIX DATA SYSTEMS, INC.
PLATINUM SOFTWARE CORPORATION
PROFESSIONAL BUSINESS COMPUTER SYSTEMS, INC.
QUEST BUSINESS SYSTEMS, INC.
R & D SYSTEMS
RANDY SOULE & ASSOCIATES (RSA)

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Appendix (Con't)**Initial Screening of Purchasing Software Companies**

REAL APPLICATIONS, LTD.
REALWORLD CORPORATION
RESOURCE SYSTEMS CORPORATION
ROHBE CORPORATION
ROSS SYSTEM, INC.
SAI SOFTWARE CONSULTANTS, INC.
SAMCO SOFTWARE, INC.
SATCOM
SCALA USA, INC.
SCHAFER COMPANY SOFTWARE SERVICE, INC.
SCHULTZ-BERNSTEIN & ASSOCIATES, INC.
SDC SOFTWARE, INC.
SENTIENT SYSTEMS, INC.
SIRIUS SOFTWARE, INC.
SMALL SYSTEMS DESIGNS, INC.
SMITH, DENNIS & GAYLORD, INC.
SOFTWARE 2000, INC.
SOFTWARE BUSINESS SYSTEMS, INC.
SOFTWARE SOLUTIONS, INC.
SOFTWARE SOLUTIONS UNLIMITED, INC.
SOLOMON SOFTWARE
SOLUTIONS SYSTEMS, INC.
SORCEMATE INFORMATION SYSTEMS, INC.
SOUTHWARE INNOVATIONS, INC.
SPOKANE COMPUTER, INC.
STATE OF THE ART, INC.
STRUCTURED COMPUTER SYSTEMS, INC.
SUPPORT NET, INC.
SYNERGISTIC TECHNOLOGIES BUSINESS SYSTEMS, INC.
SYSTEM SOFTWARE ASSOCIATES, INC.
SYSTEMS MANAGEMENT, INC.

Appendix (Con't)**Initial Screening of Purchasing Software Companies**

SYSTEMS PROGRAMMING, LTD.
SYSTEMS UNION, INC.
T.R.B.INTERNATIONAL, LTD.
TARANTO & ASSOCIATES, INC.
TECHNALYSIS CORPORATION
TEXAS INSTRUMENTS, INC.
THE BRISTOL GROUP, INC.
THE TECHNOLOGY GROUP, INC.
THE VERSATILE GROUP, INC.
THE WINDOWS SUPPORT GROUP
TIMBERLINE SOFTWARE CORPORATION
TIMELINE, INC.
TRANSPORTAION APPLICATION INC.
TSS SYSTEMS CORPORATION
UNISOL CORPORATION
UNISYS CORPORATION
UNITED SYSTEMS TECHNOLOGY, INC.
UNITRONIX CORPORATION
VIGILANT BUSINESS SOFTWARE, INC.
W5 ASSOCIATES, INC.
WALKER INTERACTICE SYSTEMS

